

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

40-11580

In re:) Chapter 11
)
FANSTEEL INC., et al.,¹) Case No. 02-10109 (JJF)
) (Jointly Administered)
Debtors.)

Objection Deadline: August 14, 2002 at 4:00 P.M. E.S.T.
Hearing Date: TBD (Only if objections are timely filed)

**NOTICE OF DEBTORS' MOTION FOR ORDER
AUTHORIZING THE DEBTORS TO ASSUME EXECUTIVE
PROTECTION POLICIES AND APPROVING SETTLEMENT
AGREEMENT BETWEEN CHUBB AND THE DEBTORS**

TO: ALL PARTIES REQUIRED TO RECEIVE NOTICE PURSUANT TO LOCAL
RULE OF BANKRUPTCY PROCEDURE 2002-1(b)

On July 25, 2002, the captioned debtors and debtors-in-possession (the "Debtors")
filed with United States Bankruptcy Court for the District of Delaware, 824 Market Street,
Wilmington, Delaware 19801 (the "Bankruptcy Court") the **Debtors' Motion for Order
Authorizing the Debtors to Assume Executive Protection Policies and Approving
Settlement Agreement Between Chubb and the Debtors** (the "Motion"). A true and correct
copy of the Motion is attached.

RESPONSES OR OBJECTIONS, IF ANY, TO THE RELIEF REQUESTED IN
THE MOTION MUST BE IN WRITING, FILED WITH THE BANKRUPTCY COURT, AND

¹ The Debtors are the following entities: Fansteel Inc.; Fansteel Holdings, Inc.; Custom Technologies Corp.; Escast, Inc.; Wellman Dynamics Corp.; Washington Mfg. Co.; Phoenix Aerospace Corp.; American Sintered Technologies, Inc.; and Fansteel Schulz Products, Inc.

missed Add: Oge Mail Center

SERVED UPON BOTH OF THE UNDERSIGNED COUNSEL FOR DEBTORS SO AS TO BE RECEIVED BY 4:00 P.M., EASTERN STANDARD TIME, on August 14, 2002.

IF ANY OBJECTIONS ARE TIMELY FILED AND SERVED, A HEARING ON THE MOTION MAY BE HELD AT A TIME TO BE DETERMINED, BEFORE THE HONORABLE JOSEPH J. FARNAN, JR., OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE. THE HEARING WILL BE HELD IN COURTROOM 6A, J. CALEB BOGGS FEDERAL BUILDING, 844 N. KING STREET, WILMINGTON, DELAWARE 19801. ONLY TIMELY FILED AND RECEIVED WRITTEN OBJECTIONS WILL BE CONSIDERED BY THE COURT AT THE HEARING.

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IF NO OBJECTIONS ARE TIMELY FILED AND SERVED IN
ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF
REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: July 25, 2002

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Co-Counsel for the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Case No. 02-10109(JJF)
)	
FANSTEEL INC., <i>et al.</i> , ¹)	Chapter 11
)	(Jointly Administered)
Debtors.)	

**DEBTORS' MOTION FOR ORDER AUTHORIZING THE DEBTORS'
TO ASSUME EXECUTIVE PROTECTION POLICIES AND APPROVING
SETTLEMENT AGREEMENT BETWEEN CHUBB AND THE DEBTORS**

The above-captioned debtors and debtors in possession (each a Debtor and collectively, the "Debtors") hereby move this Court (the "Motion") for the entry of an order pursuant to Section 365 of title 11 of the United States Code §§ 101 *et seq.* (the "Bankruptcy Code") authorizing the Debtors to assume certain executive protection insurance policies purchased by Fansteel, Inc. ("Fansteel") and approving a settlement agreement between CHUBB Group of Insurance Companies ("Chubb") and the Debtors. In support of this Motion, the Debtors respectfully represent as follows:²

Jurisdiction

1. This Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334.

¹ The Debtors are the following entities: Fansteel Inc., Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

² The facts and circumstances supporting this Motion are set forth in the Affidavit of Gary L. Tessitore, President and Chief Executive Officer of Fansteel Inc. in support of First Day Motions.

2. Venue of the Debtors' bankruptcy cases and this Motion is proper in the District of Delaware pursuant to 28 U.S.C. §§1408 and 1409.

3. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).

4. The Statutory predicates for relief are section 365 of the Bankruptcy Code and Fed. R. Banker. P. 9019(a).

Background

5. Fansteel and the other eight Debtors (each a direct or indirect wholly-owned subsidiary of Fansteel) have been engaged for over 70 years in the business of manufacturing and marketing specialty metal products with today's operations being conducted at ten manufacturing facilities (five of which are owned by Fansteel) in nine states. Fansteel is the Parent Corporation..

6. On January 15, 2002 (the "Petition Date"), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Court has entered an order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), directing that the Debtors' separate chapter 11 cases (the "Bankruptcy Cases") be procedurally consolidated and jointly administered by this Court.

7. The Debtors continue to manage their respective properties and operate their respective businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

8. On January 29, 2002, the Office of the United States Trustee for the District of Delaware appointed an official committee of unsecured creditors (the "Committee") for these chapter 11 cases. No trustee or examiner has been appointed in any of the Bankruptcy Cases.

9. The operations of Debtors' respective businesses have involved compliance with state and federal environmental laws, including the Atomic Energy Act. The Debtors' bankruptcy cases are an outgrowth of the discontinuation of one of Fansteel's operations that was conducted from the 1950s through 1989 at a site owned and operated by Fansteel in Muskogee, Oklahoma (the "Muskogee Site"). At the Muskogee Site, Fansteel, in accordance with a license obtained from the U.S. Nuclear Regulatory Commission (the "NRC") in 1967, processed tantalum ore for further processing at Fansteel's plant in North Chicago. Tantalum naturally occurs with other metals, including uranium and thorium, each of which is radioactive, and the processing of tantalum results in, among other things, radioactive residues and soils. Fansteel, in accordance with applicable regulations promulgated by the NRC, is required, upon discontinuance of its business to remediate these residues and soils.

Insurance Policies

10. Fansteel seeks by this motion to assume its primary and excess directors' and officers' insurance contracts. The primary policy, Federal Insurance Policy Executive Protection Policy No. 8155-91-15 (12/4/98-12/4/01) issued by Chubb is attached hereto as Exhibit 1 (the "Chubb Policy"). The excess policy, Executive Liability Underwriters ELU 819198-00 (8/1/00-12/4/01), issued by Greenwich Insurance Company ("Greenwich"), is

attached hereto as Exhibit 2 (the "Excess Policy" and together with the Chubb Policy, the "Policy").

11. The Chubb Policy provides insurance coverage in accordance with the terms of the contract to both Fansteel and its the directors and officers up to a limit of \$25 million in excess of a \$100,000 self-insured retention. The premium due for the Chubb Policy is \$200,130.00. An letter reflecting the premium due is attached hereto as Exhibit 3.

12. The terms of the Chubb Policy offers a two-pronged protection. First, the Chubb Policy provides protection for Fansteel against any claims arising from the Notice of Circumstances. Under this prong, Fansteel is insured against all claims arising from any wrongful acts it may have committed as well as the potential wrongful acts of Fansteel's directors and officers to the extent that Fansteel is obligated to indemnify those directors and officers under its by-laws. Second, the Chubb Policy provides protection for both directors and officers of Fansteel against any personal liability from any claims arising from the notice of circumstances. Indorsment No. 11 to the Chubb Policy includes "any elected or appointed officer of the Insured Organization in an Outside Directorship"³. Thus, both Fansteel and its officers and directors are governed by the terms of the Chubb Policy.

13. The Excess Policy provides insurance coverage in accordance with the terms of the contract, which generally follows the form to the Chubb Policy, up to a limit of \$25 million in excess of the \$25 million primary limits of the Chubb Policy. The premium due for

³ Outside Directorship means the position of director officer, trustee, governor, or equivalent executive position with an Outside Entity, if service by the Insured Person in such position was at the specific request of the Insured Organization . . .

the Excess Policy is \$235,000. An invoice reflecting premium due is attached hereto as Exhibit 4.

14. Under the Policy, Fansteel may deliver a Notice of Circumstances to both Greenwich and Chubb. The Chubb Policy provides that: "[i]f during the Policy Period or Extended Reporting Period (if exercised) an Insured becomes aware of circumstances which could give rise to a Claim and gives written notice of such circumstance(s) to the Company, then any Claims subsequently arising from such circumstances shall be considered to have been made during the Policy Period or the Extended Reporting Period in which the circumstances were first reported to the Company." Chubb Policy, Section 10.

15. This provision is valuable to Fansteel because it extends coverage to claims reported after the Policy expires if these claims arose out of circumstances identified by a Notice of Circumstances. Although to date, no claims have been asserted in connection with the Notice of Circumstances, the potential claims listed in the Notice of Circumstances may ripen to actual claims because of the nature of the Fansteel's business and its potential environmental liabilities.

16. On November 19, 2001, Fansteel provided a Notice of Circumstances to Chubb and Greenwich in accordance with the terms of the Policy. A copy of the Notice of Circumstances is attached hereto as Exhibit 5. In early December, through negotiations with Fansteel's broker, Aon Risk Services ("Aon"), Chubb indicated that it was unwilling to renew the Chubb Policy under the same terms and conditions. Instead, Chubb proposed two options for renewal, each of which contained materially adverse terms and required the payment of a

premium in excess of the statutorily permitted 30% increase. Chubb agreed to extend the expiration date of the Chubb Policy to December 15, 2001 to allow Fansteel time to consider the proposed options. A copy of Aon's letter setting forth the terms of the proposed options is attached hereto as Exhibit 6.

17. The first proposed renewal option deleted Endorsement #12 and incorporated a 20% coinsurance provision. The second proposed renewal option modified Endorsement #12, and incorporated a 40% to 60% decrease in limits. In addition, Chubb declared that it would not renew the Chubb Policy under any terms unless Fansteel agreed to withdraw the Notice of Circumstances.

18. Fansteel responded by dint of its legal right to renew the Chubb Policy under its same terms for an additional one-year term pursuant to IL ST CH 215 §5/143.17a of the Policy. IL ST CH 215 §5/143.17a.c. states that unless notice of intention not to renew is provided more than 31 days prior to expiration of an insurance policy, "the policy shall be extended for a period of one year or until the effective date of any similar insurance procured by the insured, whichever is less, on the same terms and conditions as the policy sought to be terminated unless the insurer has manifested its willingness to renew at a premium which represents an increase not exceeding 30%."

19. At no time prior to December 4, 2001 did Chubb provide written notice of its intention not to renew the Chubb Policy as required by IL ST CH 215 §5/143.17a of the Chubb Policy. Accordingly, under the terms of the Policy, Chubb must renew the Chubb Policy on its existing terms for a one-year period and it is further prohibited from retroactively

modifying the Chubb Policy by deleting Endorsement #12 and replacing it with Endorsement #17⁴.

20. In response to Fansteel's actions and correspondences, Chubb eventually acknowledged that it had a legal obligation to renew the Chubb Policy for a one-year period under the same terms and conditions and it authorized Aon to issue a confirmation of coverage on December 20, 2001, extending coverage to December 15, 2002. A copy of the confirmation is attached hereto as Exhibit 6.

21. However, on December 21, 2001, Chubb issued a Notice of Cancellation. A copy of the Notice of Cancellation is attached hereto as Exhibit 7. According to the Notice, cancellation was premised upon "[t]he risk originally accepted has measurably increased due to deteriorated financial condition." On January 7, 2002, Fansteel informed Chubb that the Notice of Cancellation was invalid and demanded that Chubb withdraw the cancellation and reinstate the Chubb Policy. Chubb refused to renew the Chubb Policy, which led Fansteel to explore alternatives to the current situation, including possible litigation in connection with a number of issues concerning the Chubb Policy and Fansteel.

22. On January 15, 2002, the Debtors filed for protection under chapter 11 of the Bankruptcy Code. The events leading to the bankruptcy filing were disclosed to Chubb prior to December 21, 2001, at a meeting between representatives of Chubb, Aon and Fansteel. At no time subsequent to that meeting did Chubb dispute that it had a statutory obligation to renew the Chubb Policy for a one-year period.

⁴Greenwich, on the other hand, filed its requisite notice of non-renewal and is thus able to charge higher premiums for the Excess Policy.

23. On January 22, 2002 Chubb sent an e-mail to Deneen Schmitt, Fansteel's contact at Aon, rescinding the Notice of Cancellation and agreeing to honor its legal obligation to extend the Policy under the existing terms and conditions for a one-year period through December 15, 2002. The letter rescinding the Notice of Cancellation is attached hereto as Exhibit 8. As of January 22, 2002, the terms of the Chubb Policy remained unclear.

24. After extensive negotiations to clarify the terms of the Chubb Policy, Chubb and Fansteel reached a settlement agreement when Chubb agreed to withdraw all its reservations with regards to the Chubb Policy. The terms of the settlement were presented in a letter from Chubb to the chief executive officer of Fansteel, dated May 2, 2002 (the "Settlement Letter"). The Settlement Letter is attached hereto as Exhibit 3.

25. Under the terms of the Settlement Letter the Debtors and Chubb agreed to the following:

- The Aggregate Limit of Liability from 12/4/200 – 12/4/2001 shall be extended through 12/04/02
- The Policy endorsement s in effect as of the policy period ended 12/04/01 will remain intact and in effect through 12/04/2002 – with the exception of any future changes agreed to, in writing, by both Fansteel, Inc. (via Aon) and Federal Insurance Company.
- The policy shall be deemed to include Pollution Endorsement 14-02-1106 Ed. 4/92 (copy attached) and to have included this endorsement since the inception of the policy (12/4/98).
- Fansteel shall pay Federal \$201,130.00 in premium for the 12/04/02 policy period.
- Fansteel has the right to submit a Notice of Circumstances and Chubb will accept and honor the Notice of Circumstances as presented by Fansteel.

26. In addition, and in response to the Debtors' inquiries as to the status of the Notice of Circumstances, Chubb's Counsel wrote Schulte Roth & Zabel, LLP on May 31, 2002 (the "Confirmation Letter") confirming that Chubb accepts Fansteel's Notice of Circumstances and that such Notice of Circumstances extends to claims that arise from the event described in the Notice of Circumstances. The Confirmation Letter is attached hereto as Exhibit 9.

27. Because the terms of Excess Policy are identical to the terms of the Chubb Policy, the Settlement Agreement and the Confirmation Letter have an integral part of the Excess Policy as well as soon as Chubb agreed to adopt the Settlement.

Relief Requested

28. By this Motion Debtors seek entry of an order, pursuant to Bankruptcy Rule 9019 approving the terms the settlement between the Debtors and Chubb as embodied by Settlement Letter and the Confirmation Letter.

29. Also by this Motion Debtors seek entry of an order, pursuant to section 365 of the Bankruptcy Code authorizing the Debtors to assume the Policy, as amended and supplemented by the Settlement Letter and the Confirmation Letter, as an executory contract.

30. Also by this Motion Debtors seek entry of an order, authorizing the Debtors to pay the premium associated with the Chubb Policy and the Excess Policy in the amount of \$200,130 and \$235,000 respectively.

Basis for Relief Requested

Debtors and Debtors in Possession Can Assume Executory Contracts

31. As there are no novel issues of law presented herein, Debtors waive their right to file a brief in support of the Motion pursuant to D. Del. L.R. 7.1.2(a), incorporated by reference into the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware by Del. Bankr. L.R. 1001-1(b). Because of the nature of the relief requested in this Motion, Debtors believe that no briefing is required.

32. Section 365(a) of the Bankruptcy Code expressly authorizes – subject to court approval – the assumption of any executory contract or unexpired lease by a debtor. 11 U.S.C. § 365(a). The purpose of the statute is to enable a debtor “to maximize the value of the debtor’s estate by assuming executory contracts that benefit the estate.” Cinicola v. Scharffenberger, 248 F.3d 110, 119 (3d Cir. 2001).

33. The facts and circumstances surrounding the Debtors’ bankruptcy cases and the Policy readily satisfy the above-noted requirements.

The Policy Purchased by Fansteel Constitutes an Executory Contract

34. A contract is executory within the meaning of § 365 of the Bankruptcy Code if “the obligations of both the bankrupt and the other party remain so far unperformed that failure of either to complete performance would constitute a material breach excusing performance of the other.” Counties Contracting and Constr. Co. v. Constitution Life Ins. Co., 855 F.2d 1054, 1060 (3d Cir. 1988); Sharon Steel Corp. v. National Fuel Gas Distribution, 872 F.2d 36, 39-40 (3d Cir. 1989).

35. Many courts agree that an insurance policy, if not terminated pre-petition, is indeed an executory contract. See In re American Medical Imaging Corp. 133 B.R. 45 (Bankr. E.D.Pa. 1991) citing Aetna Cas. & Surety Co. v. Gamel, 45 B.R. 345, 348 (N.D.N.Y. 1984) (parties conceded that the insurance policy was an executory contract); In re Pester Refining Co., 58 B.R. 189, 190-91 (Bankr. S.D. Iowa 1985) (held, insurance policy was an executory contract within meaning of Bankruptcy Code, and thus insured's status as a chapter 11 debtor-in-possession barred insurer from enforcing cancellation provision unless and until debtor assumed the contract); In re B. Siegel Co., 51 B.R. 159, 161- 64 (Bankr. E.D. Mich. 1985) (held, an insurance policy issued for a term of three years and subject to annual rate renegotiations is an "executory contract" because "the policy of insurance imposed obligations of continuing performance on both the debtor and the insurance company--the obligation of [the insurance company] to continue to provide insurance protection, and the obligation of the debtor to continue to promptly pay premiums."); In re Garnas, 38 B.R. 221, 223 (Bankr. D.N.D. 1984) (the Court was persuaded that an executory contract within the preview of the Bankruptcy Code does indeed exist between an insurance company and a policyholder despite the fact that an individual policy may provide for one-year coverage.). Cf. In re Amatex Corp., 107 B.R. 856, 860-61 n. 2 (E.D. Pa. 1989), aff'd, 908 F.2d 961 (3d Cir. 1990) (liability insurance policies covering a term which ended several years prior to debtor's bankruptcy filing held subject to assumption despite court's impression that the policies were no longer executory contracts because the debtor's duties at the time of the filing of the case were minimal); In re Gamma Fishing Co., Inc. 70 B.R. 949 (Bankr. S.D.Cal. 1987) (held, contract procuring insurance for term of one year imposed

obligation on debtor to continue payments on installment premiums, while requiring insurance broker to continue to keep insurance policy in effect, was "executory contract" within meaning of Bankruptcy Code).

36. In this district, the question of whether an insurance contract is an executory contract was raised in Counties Contracting 855 F.2d 1054. In that decision, the court expressed an "inclination" to find that such a contract was indeed executory. This inclination has been reinforced by subsequent bankruptcy court decisions. See In re Smith Corona Corp. 210 B.R. 243 (Bankr. D. Del., 1997) (insurance policy qualified as executory contract)

37. Under the Policy, both Fansteel and Chubb have continuing obligations. Chubb is under a continuing obligation to provide insurance for any claims arising out of circumstances identified in a Notice of Circumstances filed by Fansteel that may mature into claims after the Policy expires. In addition, Fansteel, is obligated to pay premiums for the duration of the renewal period and has an ongoing duty to provide certain notices to Chubb – including any additional Notice of Circumstances. Given these ongoing obligations among the parties, the Policy constitutes an executory contracts that may be assumed under Bankruptcy Code § 365.

**The Debtors' Assumption of the Policy Falls
Within the Exercise of the Debtors Sound Business Judgment**

38. In determining whether to approve a debtor's decision to assume an executory contract, courts have consistently applied the "business judgment" test. See, e.g., Delightful Music Ltd. v. Taylor, (In re Taylor), 913 F.2d 102 (3d Cir. 1990); Group of Institutional Investors v. Chicago Milwaukee St. Paul & Pacific Rail Road Co., 318 U.S. 523,

550 (1943); Matter of Telco, Inc., 558 F.2d 1369, 1173 (10th Cir. 1977); Matter of Minges, 602 F.2d 38, 43 (2d Cir. 1979); In re Chi-Feng Huang, 23 B.R. 798, 800 (B.A.P. 9th Cir. 1982).

39. A debtor satisfies the “business judgment” test when it determines, in good faith, that assumption of an executory contract will benefit the debtor’s estate and unsecured creditors. In re FCX, Inc., 60 B.R. 405, 411 (Bankr. E.D.N.C. 1986); In re Chipwich Inc., 54 B.R. 427, 430-31 (Bankr. S.D.N.Y. 1985).

40. Pursuant to their business judgment, the Debtors believe, that it is in the best interest of the estate and the creditors of the estate to assume the Policy. The Policy will protect Fansteel from potential future liabilities against it as well as potential indemnification claims by its officers and directors. Paying out such claims will decrease the assets of the Debtors, imperil the Debtors reorganization efforts and decrease the recovery amount available for the estate's creditors. Thus, the Policy will ensure that the Debtors assets are protected from some potential liabilities, which is essential to the Debtors’ ongoing viability and reorganization efforts.

41. In addition, the current financial environment and the recent events relating to corporate governance, prevent the Debtors from purchasing similar insurance at comparable prices. Current rate are more than 600% larger than the premium the Debtors would pay for the Chubb Policy and the Excess Policy.

42. Therefore, it is the Debtors’ business judgment that the assumption of both the Chubb Policy and the Excess Policy under § 365(a) of the Bankruptcy Code is critical to the ultimate success of the Debtors’ reorganization efforts.

**The Court Should Approve the Settlement Reached Between the
Debtor and Chubb Pursuant to Rule 9019(a)**

43. Rule 9019(a) of the Federal Rules of Bankruptcy Procedure provides that “on motion by the trustee and after a hearing, the bankruptcy court may approve a compromise or settlement.” Settlements are favored in the bankruptcy context “[t]o minimize litigation and expedite the administration of a bankruptcy estate.” In re Martin, 91 F.3d 389, 393 (3d Cir. 1996). The Supreme Court has recognized that “in administering reorganization proceedings in an economical and practical manner it will often be wise to arrange the settlement of claims in which there are substantial and reasonable doubts.” In re Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 424 (1968).

44. The U.S. Supreme Court has stated that in determining a compromise's fairness, a judge should:

form an educated estimate of the complexity, expense and likely duration of such litigation, the possible difficulties of collecting on any judgment, which might be obtained, and all other factors relevant to a full and fair assessment of the wisdom of the proposed compromise. Basic to this process in every instance, of course, is the need to compare the terms of the compromise with the likely rewards of the litigation.

Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 424-25 (1968). The Third Circuit, applying TMT Trailer in the context of a settlement pursuant to Bankruptcy Rule 9019(a), has set forth four factors to be considered:

- (i) the probability of success in litigation;
- (ii) the likely difficulties of collection;
- (iii) the complexity of the litigation involved and the expense, inconvenience and delay necessarily attending it; and

- (iv) the paramount interest of the creditors.
Martin v. Myers (In re Martin), 91 F.3d 389, 393 (3d Cir. 1996).

45. Approval of a proposed settlement is within the "sound discretion" of the bankruptcy court. Jeffrey v. Desmond, 70 F.3d 183, 185 (1st Cir. 1995). The bankruptcy court must determine whether the proposed settlement is in the "best interests of the estate." See In the Matter of Energy Cooperative, Inc., 886 F.2d 921, 927 (7th Cir. 1989). The bankruptcy court should not substitute its judgment for that of a trustee or debtor in possession. Richmond Leasing Co. v. Capital Bank, N.A., 762 F.2d 1303, 1311 (5th Cir. 1985); In re Curlew Valley Assocs., 14 B.R. 506, 511-13 (Bankr. D. Utah 1981). The bankruptcy court is not to decide the numerous questions of law or fact raised by the litigation, but rather should canvas the issues to see whether the settlement falls below the lowest point in the range of reasonableness. See In re Penn Trans. Co., 596 F.2d 1102, 1114 (3d Cir. 1979); Cosoff v. Rodman (In re W.T. Grant Co.), 699 F.2d 599, 608 (2d Cir. 1983), cert. denied, 464 U.S. 822 (1983).

46. The Settlement is in the "best interest of the estate". First, the Settlement allows Fansteel to assume the Policy under its original terms. In turn, the Policy protects Fansteel, a debtor, from future liabilities that would only serve to decrease the Debtors' assets. Second, the Settlement avoid possible litigation between Fansteel and Chubb that would have drained the resources of the estate and distracted the Debtors' management. The estate and its creditors are better served if the resources of the estate and management's time and efforts are directed at the reorganization efforts. Third, the premiums Fansteel will pay for the Policy are much lower than current market rates for comparable policies. Fourth, the creditor's of the

Debtors benefit from the Settlement because the Settlement increases the assets of the estate and facilitates the reorganization process.

47. Therefore, the Debtors respectfully submit that the approval of the Settlement Letter and the Confirmation Letter is in the best interests of the Debtors' estates and that the settlement falls well within the range of reasonableness and otherwise satisfies the factors enumerated identified herein.

Notice

48. Notice of this Motion has been given to all those required to receive notice pursuant to Del. Bankr.L.R. 2002-1(b).

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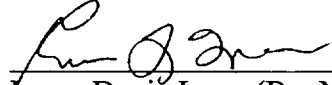
WHEREFORE, Debtors respectfully request that the Court grant the Motion and enter the proposed order (i) authorizing the Debtors to assume the Policy pursuant to § 365 of the Bankruptcy Code, (ii) authorizing the Debtors to pay the premiums for the Chubb Policy and the Excess Policy in the amount of \$200,130 and \$235,000 respectively and (iii) approving the Settlement reached between the Debtors and Chubb.

Dated: July 25, 2002

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Co-Counsel for the Debtors and
Debtors in Possession

Exhibit 1

Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of

Endorsement No. 12

this endorsement: DECEMBER 04, 1998

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that subsection 5, "Exclusions: Exclusions Applicable to Insuring Clauses 1 and 2", is amended by deleting paragraph (f) in its entirety and replacing it with the following:

(f) based upon, arising from, or in consequence of:

- (1) the actual, alleged or threatened discharge, release, escape or disposal of **Pollutants** into or on real or personal property, water or the atmosphere; or
- (2) any direction or request that the **Insured** test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**, or any voluntary decision to do so;

including but not limited to any **Claim** for financial loss to the **Insured Organization**, its security holders or its creditors based upon, arising from or in consequence of the matters described in (1) and (2) above. However, this exclusion shall not apply to **Loss** (i) which is on account of any **Claim** brought by any shareholder of the **Insured Organization** in his capacity as such, whether in his own right or on behalf of the **Insured Organization**, provided that such **Claim** is brought and maintained without the assistance, participation or solicitation of any **Insured**, and (ii) for which the **Insured Organization** either is not permitted or required, or fails or refuses by reason of **Financial Impairment**, to indemnify the **Insured Person(s)**. For purposes of this endorsement, the certificate of incorporation, by-laws and shareholder and board of director resolutions of the **Insured Organization** shall be deemed to provide indemnification to the **Insured Person(s)** to the fullest extent permitted by law.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date

Reference Copy



Date March 13, 2001

Dear Policyholder:

Enclosed is your Executive Liability and Indemnification policy along with its endorsements, including the limited employment practices extension.

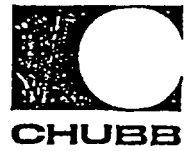
I would like to point out at this time, the significant coverage gaps which exist between this endorsement to your policy and a stand-alone Employment Practices Liability policy. Some of the gaps in the endorsement approach are:

1. The Insured Organizations are not directly insured (i.e. no entity coverage).
2. The Limit of Liability is shared with other D&O exposures.
3. It is not a duty to defend policy; therefore allocation of defense costs may be necessary.
4. Some courts have held that individuals, including directors and officers, are not personally liable under the American with Disabilities Act. The Age Discrimination Act or Title VII of the Civil Rights Act. Practically, this means that coverage, including any defense costs, ceases under a D&O policy once the Insured Persons are dismissed from litigation.
5. Deductibles under D&O policies can be significantly higher.

If you would like to have Chubb consider your employment exposures on a stand-alone basis to take advantage of all the benefits this approach offers, please contact your agent or broker.

Sincerely,

Chubb & Son
A division of Federal Insurance Company



EXECUTIVE
PROTECTION
POLICY



Executive Protection Policy

Executive Protection Policy for:

FANSTEEL, INC.



Executive Protection Policy

DECLARATIONS

EXECUTIVE PROTECTION POLICY

Policy Number 8155-91-15

Federal Insurance Company, a stock insurance company, incorporated under the laws of Indiana, herein called the Company.

Item 1. Parent Organization:
FANSTEEL, INC.

NUMBER ONE TANTALUM PLACE
NORTH CHICAGO, ILLINOIS
60064

Item 2. Policy Period: From 12:01 A.M. on DECEMBER 04, 1998
To 12:01 A.M. DECEMBER 04, 2001
Local time at the address shown in Item 1.

Item 3. Coverage Summary
Description
GENERAL TERMS AND CONDITIONS
EXECUTIVE LIABILITY AND INDEMNIFICATION

Item 4. Termination of
Prior Policies: None

THE EXECUTIVE LIABILITY AND INDEMNIFICATION, FIDUCIARY LIABILITY, OUTSIDE DIRECTORSHIP LIABILITY AND EMPLOYMENT PRACTICES LIABILITY COVERAGE SECTIONS (WHICHEVER ARE APPLICABLE) ARE ALL WRITTEN ON A CLAIMS MADE BASIS. EXCEPT AS OTHERWISE PROVIDED, THESE COVERAGE SECTIONS COVER ONLY CLAIMS FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD. PLEASE READ CAREFULLY.

In witness whereof, the Company issuing this policy has caused this policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

FEDERAL INSURANCE COMPANY

Henry A. Aulick
Secretary

Henry R. Offner
President

March 13, 2001
Date

Robert Hamburger
Authorized Representative



Executive Protection Policy

General Terms and Conditions

Territory

1. Coverage shall extend anywhere in the world.

Terms and Conditions

2. Except for the General Terms and Conditions or unless stated to the contrary in any coverage section, the terms and conditions of each coverage section of this policy apply only to that section and shall not be construed to apply to any other coverage section of this policy.

Limits of Liability and Deductible Amounts

3. Unless stated to the contrary in any coverage section, the limits of liability and deductible amounts shown for each coverage section of this policy are separate limits of liability and separate deductible amounts pertaining to the coverage section for which they are shown; the application of a deductible amount to a loss under one coverage section of this policy shall not reduce the deductible amount under any other coverage section of this policy.

Notice

4. Notice to the Company under this policy shall be given in writing addressed to:

Notice of Claim:

National Claims Department
Chubb Group of Insurance Companies
15 Mountain View Road
Warren, New Jersey 07059

All Other Notices:

Executive Protection Department
Chubb Group of Insurance Companies
15 Mountain View Road
Warren, New Jersey 07059

Such notice shall be effective on the date of receipt by the Company at such address.

Investigation and Settlement

5. The Company may make any investigation it deems necessary and may, with the written consent of the Insured, make any settlement of a claim it deems expedient. If the Insured withholds consent to such settlement, the Company's liability for all loss on account of such claim shall not exceed the amount for which the Company could have settled such claim plus costs, charges and expenses accrued as of the date such settlement was proposed in writing by the Company to the Insured.

General Terms and Conditions

Valuation and Foreign Currency

6. All premiums, limits, retentions, loss and other amounts under this policy are expressed and payable in the currency of the United States of America. Except as otherwise provided in any coverage section, if judgment is rendered, settlement is denominated or another element of loss under this policy is stated in a currency other than United States of America dollars, payment under this policy shall be made in United States dollars at the rate of exchange published in the Wall Street Journal on the date the final judgment is reached, the amount of the settlement is agreed upon or the other element of loss is due, respectively.

Subrogation

7. In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all the Insured's rights of recovery, and the Insured shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company effectively to bring suit in the name of the Insured.

Action Against the Company

8. No action shall lie against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this policy. No person or organization shall have any right under this policy to join the Company as a party to any action against the Insured to determine the Insured's liability nor shall the Company be impleaded by the Insured or his legal representatives. Bankruptcy or insolvency of an Insured or of the estate of an Insured shall not relieve the Company of its obligations nor deprive the Company of its rights under this policy.

Authorization Clause

9. By acceptance of this policy, the Parent Organization agrees to act on behalf of all Insureds with respect to the giving and receiving of notice of claim or termination, the payment of premiums and the receiving of any return premiums that may become due under this policy, the negotiation, agreement to and acceptance of endorsements, and the giving or receiving of any notice provided for in this policy (except the giving of notice to apply for the Extended Reporting Period), and the Insureds agree that the Parent Organization shall act on their behalf.

Alteration or Assignment

10. No change in, modification of, or assignment of interest under this policy shall be effective except when made by a written endorsement to this policy which is signed by an authorized representative of the Company.

Termination of Policy or Coverage Section

11. This policy or any coverage section shall terminate at the earliest of the following times:
- (A) sixty days after the receipt by the Parent Organization of a written notice of termination from the Company,
 - (B) upon the receipt by the Company of written notice of termination from the Parent Organization,

p 405



Executive Protection Policy

General Terms and Conditions

Termination of Policy or Coverage Section (continued)

- (C) upon expiration of the **Policy Period** as set forth in Item 2 of the Declarations of this policy, or
- (D) at such other time as may be agreed upon by the Company and the Parent Organization.

The Company shall refund the unearned premium computed at customary short rates if the policy or any coverage section is terminated by the **Parent Organization**. Under any other circumstances the refund shall be computed pro rata.

Termination of Prior Bonds or Policies

- 12. Any bonds or policies issued by the Company or its affiliates and specified in Item 4 of the Declarations of this policy shall terminate, if not already terminated, as of the inception date of this policy. Such prior bonds or policies shall not cover any loss under the Crime or Kidnap/Ransom & Extortion coverage sections not discovered and notified to the Company prior to the inception date of this policy.

Definitions

- 13. When used in this policy:

Parent Organization means the organization designated in Item 1 of the Declarations of this policy.

Policy Period means the period of time specified in Item 2 of the Declarations of this policy, subject to prior termination in accordance with Subsection 11 above. If this period is less than or greater than one year, then the Limits of Liability specified in the Declarations for each coverage section shall be the Company's maximum limit of liability under such coverage section for the entire period.



Executive Protection Policy

Effective date of
this endorsement: DECEMBER 04, 1998

To be attached to and form part of
Policy No. 8155-91-15

Company: FEDERAL INSURANCE COMPANY

Issued to: FANSTEEL, INC.

The following is a schedule of forms attaching to and forming a part of this policy:

GENERAL TERMS AND CONDITIONS

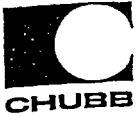
FORM NUMBER

14-02-0952
14-02-0961

EXECUTIVE LIABILITY AND INDEMNIFICATION

FORM NUMBER

14-02-1294
14-02-2197
14-02-2807
14-02-0961
14-02-0961
14-02-0961
14-02-0961
14-02-1981
14-02-2233
14-02-1970
14-02-1100
14-02-1106
14-02-1166



Executive Protection Policy

ENDORSEMENT

Coverage Section: GENERAL TERMS

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 1

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

ILLINOIS AMENDATORY ENDORSEMENT

It is agreed that:

Subsection 11, "Termination of Policy or Coverage Section", of the General Terms and Conditions is amended by the following:

CANCELLATION

All notices of cancellation of insurance must be mailed at least 30 days prior to the effective date of cancellation during the first 60 days of coverage. After the policy or coverage section has been effective for 61 days or more, all notices must be mailed at least 60 days prior to the effective date of cancellation. All such notices shall include a specific explanation of the reason or reasons for cancellation and shall be mailed to the Parent Organization and mortgagee or lien holder, if known, at the last mailing address known to the company. However, where cancellation is for nonpayment of premium, at least 10 days notice of cancellation shall be given.

No policy or coverage section which has been in effect for 60 days may be cancelled except for one of the following reasons:

- (a) Nonpayment of premium;
- (b) The policy or coverage section was obtained through a material misrepresentation;
- (c) Any insured violated any of the terms and conditions of the policy or coverage section;
- (d) The risk originally accepted has measurably increased;
- (e) Certification to the Director of the loss of reinsurance by the insurer which provided coverage to the insurer for all or a substantial part of the underlying risk insured; or,
- (f) A determination by the Director that the continuation of the policy or coverage section could place the insurer in violation of the insurance laws of this state.

NONRENEWAL AND EXTENDED REPORTING PERIOD

No company shall fail to renew any policy or coverage section of insurance unless it shall send by mail to the Parent Organization at least 60 days advance notice of its intention not to renew. The company shall maintain proof of the mailing of such notice on one of the following forms: a recognized U.S. Post Office form or a form acceptable to the U.S. Post Office or other commercial mail delivery service. An exact and unaltered copy of such notice shall also be sent to the Parent Organization's broker, if known, or the agent of record and to the mortgagee or lien holder at the last mailing address known by the company. However, where cancellation is for nonpayment of premium, at least 10 days notice of cancellation shall be given.

Should a company fail to comply with the notice requirements, the policy or coverage section shall terminate only as provided in this Subsection. In the event notice is provided at least 31 days, but less than 60 days prior to expiration of the policy or coverage section, the policy or coverage section shall be extended for a period of 60 days until the effective date of any similar insurance procured by the Insured, whichever is less, on the same terms and conditions as the policy or coverage section sought to be terminated. In the event notice is provided less than 31 days prior to the expiration of the policy or coverage section, the policy or coverage section shall be extended for a period of one year or until the effective date of any similar insurance procured by the insured, whichever is less, on the same terms and conditions as the policy or coverage section sought to be terminated unless the insurer has manifested its willingness to renew at a premium which represents an increase not exceeding 30%. The premium for coverage shall be prorated in accordance with the amount of the last year's premium, and the company shall be entitled to this premium for the extension of coverage and such extension may be contingent upon the payment of such premium.

Renewal of a policy or coverage section does not constitute a waiver or estoppel with respect to grounds for cancellation which existed before the effective date of such renewal.

On all notices of intention not to renew any policy or coverage section for insurance, the company shall provide a specific explanation of the reasons for nonrenewal.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date

back pg end. #1



Executive Protection Policy

ENDORSEMENT

Coverage Section: GENERAL TERMS

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 2

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that:

1. Subsection 11., TERMINATION OF POLICY OR COVERAGE SECTION, is deleted in its entirety and the following is inserted:

11. This policy or any coverage section shall terminate at the earliest of the following times:

- (A) ten days after the receipt by the PARENT ORGANIZATION of a written notice of termination from the Company based upon failure to pay premium due, unless such premium is received by the Company prior to such ten day,
- (B) at such other time as may agreed upon by the Company and the PARENT ORGANIZATION, or
- (C) upon expiration of the POLICY PERIOD as set forth in Item 2 of the Declarations of this policy.

The premium charged for this policy shall be fully earned at the inception of the POLICY PERIOD.

2. SUBSECTION 13, DEFINITIONS, is amended by deleting the definition of POLICY PERIOD and inserting the following:

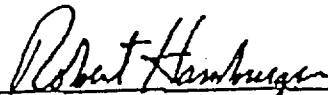
POLICY PERIOD as used in subsection 11, above, means the period of time specified in Item 2 of the Declarations of this policy;

POLICY PERIOD as used in each coverage section of this policy means the twelve month period commencing 12:01 a.m. on December 12, 1998, and on the anniversary of such date, subject to prior termination in accordance with subsection 11, above.

FROM FANSTEEL INC.

(THU)10 11 2001 16:59/SI.16:58/NO.5011267123 P 4

L OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

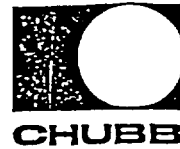


Authorized Representative

March 13, 2001

Date

back pg. end. #2



EXECUTIVE
LIABILITY
AND
INDEMNIFICATION



Executive Protection Policy

DECLARATIONS

EXECUTIVE LIABILITY AND INDEMNIFICATION COVERAGE SECTION

Item 1. Parent Organization:
FANSTEEL, INC.

Item 2. Limits of Liability:

- (A) Each Loss \$20,000,000.
- (B) Each Policy Period \$20,000,000.

Note that the limits of liability and any deductible or retention are reduced or exhausted by Defense Costs.

Item 3. Coinsurance Percent: None

Item 4. Deductible Amount:

Insuring Clause 2 \$100,000.

Item 5. Insured Organization:
FANSTEEL, INC.
AND ITS SUBSIDIARIES.

Item 6. Insured Persons:
Any person who has been, now is, or shall become a duly elected director or a duly elected or appointed officer, or Employee of the Insured Organization and the equivalent thereof in any country other than the United States.

Item 7. Extended Reporting Period:

- (A) Additional Premium: 50% of the Annual Premium
- (B) Additional Period: One Year

Item 8. Pending or Prior Date: December 04, 1998

Item 9. Continuity Date: See Endorsement

Exec. Protection Policy
pg 2
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Executive Protection Policy

Executive Liability and Indemnification Coverage Section

In consideration of payment of the premium and subject to the Declarations, General Terms and Conditions, and the limitations, conditions, provisions and other terms of this coverage section, the Company agrees as follows:

Insuring Clauses

Executive Liability Coverage Insuring Clause 1

1. The Company shall pay on behalf of each of the Insured Persons all Loss for which the Insured Person is not indemnified by the Insured Organization and which the Insured Person becomes legally obligated to pay on account of any Claim first made against him, individually or otherwise, during the Policy Period or, if exercised, during the Extended Reporting Period, for a Wrongful Act committed, attempted, or allegedly committed or attempted by such Insured Person before or during the Policy Period.

Executive Indemnification Coverage Insuring Clause 2

2. The Company shall pay on behalf of the Insured Organization all Loss for which the Insured Organization grants indemnification to each Insured Person, as permitted or required by law, which the Insured Person has become legally obligated to pay on account of any Claim first made against him, individually or otherwise, during the Policy Period or, if exercised, during the Extended Reporting Period, for a Wrongful Act committed, attempted, or allegedly committed or attempted by such Insured Person before or during the Policy Period.

Estates and Legal Representatives

3. Subject otherwise to the General Terms and Conditions and the limitations, conditions, provisions and other terms of this coverage section, coverage shall extend to Claims for the Wrongful Acts of Insured Persons made against the estates, heirs, legal representatives or assigns of Insured Persons who are deceased or against the legal representatives or assigns of Insured Persons who are incompetent, insolvent or bankrupt.

Extended Reporting Period

4. If the Company terminates or refuses to renew this coverage section other than for nonpayment of premium, the Parent Organization and the Insured Persons shall have the right, upon payment of the additional premium set forth in Item 7(A) of the Declarations for this coverage section, to an extension of the coverage granted by this coverage section for the period set forth in Item 7(B) of the Declarations for this coverage section (Extended Reporting Period) following the effective date of termination or nonrenewal, but only for any Wrongful Act committed, attempted, or allegedly committed or attempted, prior to the effective date of termination or nonrenewal. This right of extension shall lapse unless written notice of such election, together with payment of the additional premium due, is received by the Company within 30 days following the effective date of termination or nonrenewal. Any Claim made during the Extended Reporting Period shall be deemed to have been made during the immediately preceding Policy Period.

If the Parent Organization terminates or declines to accept renewal, the Company may, if requested, at its sole option, grant an Extended Reporting Period. The offer of renewal terms and conditions or premiums different from those in effect prior to renewal shall not constitute refusal to renew.

Exclusions**Exclusions Applicable
during
Years 1 and 2**

5. The Company shall not be liable for **Loss** on account of any **Claim** made against any **Insured Person**:
- (a) based upon, arising from, or in consequence of any circumstance if written notice of such circumstance has been given under any policy or coverage section of which this coverage section is a renewal or replacement and if such prior policy or coverage section affords coverage (or would afford such coverage except for the exhaustion of its limits of liability) for such **Loss**, in whole or in part, as a result of such notice;
 - (b) based upon, arising from, or in consequence of any demand, suit or other proceeding pending, or order, decree or judgement entered against any **Insured** on or prior to the Pending or Prior Date set forth in Item 8 of the Declarations for this coverage section, or the same or any substantially similar fact, circumstance or situation underlying or alleged therein;
 - (c) brought or maintained by or on behalf of any **Insured** except:
 - (i) a **Claim** that is a derivative action brought or maintained on behalf of an **Insured Organization** by one or more persons who are not **Insured Persons** and who bring and maintain the **Claim** without the solicitation, assistance or participation of any **Insured**;
 - (ii) a **Claim** brought or maintained by an **Insured Person** for the actual or alleged wrongful termination of the **Insured Person**, or
 - (iii) a **Claim** brought or maintained by an **Insured Person** for contribution or indemnity, if the **Claim** directly results from another **Claim** covered under this coverage section;
 - (d) for an actual or alleged violation of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974 and amendments thereto or similar provisions of any federal, state or local statutory law or common law upon fiduciaries of any pension, profit sharing, health and welfare or other employee benefit plan or trust established or maintained for the purpose of providing benefits to employees of an **Insured Organization**;
 - (e) for bodily injury; mental or emotional distress, sickness, disease or death of any person or damage to or destruction of any tangible property including loss of use thereof; or
 - (f) based upon, arising from, or in consequence of (i) the actual, alleged or threatened discharge, release, escape or disposal of **Pollutants** into or on real or personal property, water or the atmosphere; or (ii) any direction or request that the **Insured** test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**, or any voluntary decision to do so; including but not limited to any **Claim** for financial loss to the **Insured Organization**, its security holders or its creditors based upon, arising from, or in consequence of the matters described in (i) or (ii) of this exclusion.



Executive Protection Policy

Exclusions (continued)

Exclusions Applicable to Insuring Clause 1 Only

6. The Company shall not be liable under Insuring Clause 1 for Loss on account of any Claim made against any Insured Person:
- (a) for an accounting of profits made from the purchase or sale by such Insured Person of securities of the Insured Organization within the meaning of Section 16 (b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law or common law;
 - (b) based upon, arising from, or in consequence of any deliberately fraudulent act or omission or any willful violation of any statute or regulation by such Insured Person, if a judgement or other final adjudication adverse to the Insured Person establishes such a deliberately fraudulent act or omission or willful violation; or
 - (c) based upon, arising from, or in consequence of such Insured Person having gained in fact any personal profit, remuneration or advantage to which such Insured Person was not legally entitled.

Severability of Exclusions

7. With respect to the Exclusions in Subsections 5 and 6 of this coverage section, no fact pertaining to or knowledge possessed by any Insured Person shall be imputed to any other Insured Person to determine if coverage is available.

Limit of Liability, Deductible and Coinsurance

8. For the purposes of this coverage section, all Loss arising out of the same Wrongful Act and all Interrelated Wrongful Acts of any Insured Person shall be deemed one Loss, and such Loss shall be deemed to have originated in the earliest Policy Period in which a Claim is first made against any Insured Person alleging any such Wrongful Act or Interrelated Wrongful Acts.

The Company's maximum liability for each Loss, whether covered under Insuring Clause 1 or Insuring Clause 2 or both, shall be the Limit of Liability for each Loss set forth in Item 2(A) of the Declarations for this coverage section. The Company's maximum aggregate liability for all Loss on account of all Claims first made during the same Policy Period, whether covered under Insuring Clause 1 or Insuring Clause 2 or both, shall be the Limit of Liability for each Policy Period set forth in Item 2(B) of the Declarations for this coverage section.

The Company's liability under Insuring Clause 2 shall apply only to that part of each Loss which is excess of the Deductible Amount set forth in Item 4 of the Declarations for this coverage section and such Deductible Amount shall be borne by the Insureds uninsured and at their own risk.

If a single Loss is covered in part under Insuring Clause 1 and in part under Insuring Clause 2, the Deductible Amount applicable to the Loss shall be the Insuring Clause 2 deductible set forth in Item 4 of the Declarations for this coverage section.

**Limit of Liability,
deductible and
coinsurance
(continued)**

With respect to all Loss (excess of the applicable Deductible Amount) originating in any one Policy Period, the Insureds shall bear uninsured and at their own risk that percent of all such Loss specified as the Coinsurance Percent in Item 3 of the Declarations for this coverage section, and the Company's liability hereunder shall apply only to the remaining percent of all such Loss.

Any Loss covered in whole or in part by this coverage section and the Employment Practices Liability coverage section of this policy (if purchased) shall be subject to the limits of liability, deductible and coinsurance percent applicable to such other coverage section; provided, however, if any limit of liability applicable to such other coverage section is exhausted with respect to such Loss, any remaining portion of such Loss otherwise covered by this coverage section shall be subject to the Limits of Liability and Coinsurance Percent applicable to this coverage section, as reduced by the amount of such Loss otherwise covered by this coverage section which is paid by the Company pursuant to such other coverage section.

For purposes of this Subsection 8 only, the Extended Reporting Period, if exercised, shall be part of and not in addition to the immediately preceding Policy Period.

**Assumptive
indemnification**

9. If the Insured Organization:

- (a) fails or refuses, other than for reason of Financial Impairment, to indemnify the Insured Person for Loss; and
- (b) is permitted or required to indemnify the Insured Person for such Loss pursuant to:
 - (i) the by-laws or certificate of incorporation of the Insured Organization in effect at the inception of this coverage section, or
 - (ii) any subsequently amended or superseding by-laws or certificate of incorporation of the Insured Organization provided, however, that such amended or superseding by-laws or certificate of incorporation expand or broaden, and do not restrict or in any way limit, the Insured Organization's ability to indemnify the Insured Person;

then, notwithstanding any other conditions, provisions or terms of this coverage section to the contrary, any payment by the Company of such Loss shall be subject to (i) the Insuring Clause 2 Deductible Amount set forth in Item 4 of the Declarations for this coverage section, and (ii) all of the Exclusions set forth in Subsections 5 and 6 of this coverage section.

For purposes of this Subsection 9, the shareholder and board of director resolutions of the Insured Organization shall be deemed to provide indemnification for such Loss to the fullest extent permitted by such by-laws or certificate of incorporation.

6 of 11



Executive Protection Policy

Reporting and Notice

10. The Insureds shall, as a condition precedent to exercising their rights under this coverage section, give to the Company written notice as soon as practicable of any Claim made against any of them for a Wrongful Act.

If during the Policy Period or Extended Reporting Period (if exercised) an Insured becomes aware of circumstances which could give rise to a Claim and gives written notice of such circumstance(s) to the Company, then any Claims subsequently arising from such circumstances shall be considered to have been made during the Policy Period or the Extended Reporting Period in which the circumstances were first reported to the Company.

The Insureds shall, as a condition precedent to exercising their rights under this coverage section, give to the Company such information and cooperation as it may reasonably require, including but not limited to a description of the Claim or circumstances, the nature of the alleged Wrongful Act, the nature of the alleged or potential damage, the names of actual or potential claimants, and the manner in which the Insured first became aware of the Claim or circumstances.

Defense and Settlement

11. Subject to this Subsection, it shall be the duty of the Insured Persons and not the duty of the Company to defend Claims made against the Insured Persons.

The Insureds agree not to settle any Claim, incur any Defense Costs or otherwise assume any contractual obligation or admit any liability with respect to any Claim without the Company's written consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, Defense Costs, assumed obligation or admission to which it has not consented.

The Company shall have the right and shall be given the opportunity to effectively associate with the Insureds in the investigation, defense and settlement, including but not limited to the negotiation of a settlement, of any Claim that appears reasonably likely to be covered in whole or in part by this coverage section.

The Insureds agree to provide the Company with all information, assistance and cooperation which the Company reasonably requests and agree that in the event of a Claim the Insureds will do nothing that may prejudice the Company's position or its potential or actual rights of recovery.

Defense Costs are part of and not in addition to the Limits of Liability set forth in Item 2 of the Declarations for this coverage section, and the payment by the Company of Defense Costs reduces such Limits of Liability.

Allocation

12. If both Loss covered by this coverage section and loss not covered by this coverage section are incurred, either because a Claim against the Insured Persons includes both covered and uncovered matters or because a Claim is made against both an Insured Person and others, including the Insured Organization, the Insureds and the Company shall use their best efforts to agree upon a fair and proper allocation of such amount between covered Loss and uncovered loss.

*location
continued)*

If the Insureds and the Company agree on an allocation of Defense Costs, the Company shall advance on a current basis Defense Costs allocated to the covered Loss. If the Insureds and the Company cannot agree on an allocation:

- (a) no presumption as to allocation shall exist in any arbitration, suit or other proceeding;
- (b) the Company shall advance on a current basis Defense Costs which the Company believes to be covered under this coverage section until a different allocation is negotiated, arbitrated or judicially determined; and
- (c) the Company, if requested by the Insureds, shall submit the dispute to binding arbitration. The rules of the American Arbitration Association shall apply except with respect to the selection of the arbitration panel, which shall consist of one arbitrator selected by the Insureds, one arbitrator selected by the Company, and a third independent arbitrator selected by the first two arbitrators.

Any negotiated, arbitrated or judicially determined allocation of Defense Costs on account of a Claim shall be applied retroactively to all Defense Costs on account of such Claim, notwithstanding any prior advancement to the contrary. Any allocation or advancement of Defense Costs on account of a Claim shall not apply to or create any presumption with respect to the allocation of other Loss on account of such Claim.

*her
insurance*

- 13. If any Loss arising from any Claim made against any Insured Persons is insured under any other valid policy(ies), prior or current, then this coverage section shall cover such Loss, subject to its limitations, conditions, provisions and other terms, only to the extent that the amount of such Loss is in excess of the amount of payment from such other insurance whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the Limits of Liability provided in this coverage section.

*anges in
posure*

*quisition or
ation of
other Organization*

- 14. If the Insured Organization (i) acquires securities or voting rights in another organization or creates another organization, which as a result of such acquisition or creation becomes a Subsidiary, or (ii) acquires any organization by merger into or consolidation with an Insured Organization, such organization and its Insured Persons shall be Insureds under this coverage section but only with respect to Wrongful Acts committed, attempted, or allegedly committed or attempted, after such acquisition or creation unless the Company agrees, after presentation of a complete application and all appropriate information, to provide coverage by endorsement for Wrongful Acts committed, attempted, or allegedly committed or attempted, by such Insured Persons prior to such acquisition or creation.

8711



Executive Protection Policy

Changes in Exposure

Acquisition or Creation of Another Organization (continued)

If the fair value of all cash, securities, assumed indebtedness and other consideration paid by the Insured Organization for any such acquisition or creation exceeds 10% of the total assets of the Parent Organization as reflected in the Parent Organization's most recent audited consolidated financial statements, the Parent Organization shall give written notice of such acquisition or creation to the Company as soon as practicable together with such information as the Company may require and shall pay any reasonable additional premium required by the Company.

Acquisition of Parent Organization by Another Organization

15. If (i) the Parent Organization merges into or consolidates with another organization, or (ii) another organization or person or group of organizations and/or persons acting in concert acquires securities or voting rights which result in ownership or voting control by the other organization(s) or person(s) of more than 50% of the outstanding securities representing the present right to vote for the election of directors of the Parent Organization, coverage under this coverage section shall continue until termination of this coverage section, but only with respect to Claims for Wrongful Acts committed, attempted, or allegedly committed or attempted, by Insured Persons prior to such merger, consolidation or acquisition. The Parent Organization shall give written notice of such merger, consolidation or acquisition to the Company as soon as practicable together with such information as the Company may require.

Cessation of Subsidiaries

16. In the event an organization ceases to be a Subsidiary before or after the Inception Date of this coverage section, coverage with respect to such Subsidiary and its Insured Persons shall continue until termination of this coverage section but only with respect to Claims for Wrongful Acts committed, attempted or allegedly committed or attempted prior to the date such organization ceased to be a Subsidiary.

Representations and Severability

17. In granting coverage to any one of the Insureds, the Company has relied upon the declarations and statements in the written application for this coverage section and upon any declarations and statements in the original written application submitted to another insurer in respect of the prior coverage incepting as of the Continuity Date set forth in Item 9 of the Declarations for this coverage section. All such declarations and statements are the basis of such coverage and shall be considered as incorporated in and constituting part of this coverage section.

Such written application(s) for coverage shall be construed as a separate application for coverage by each of the Insured Persons. With respect to the declarations and statements contained in such written application(s) for coverage, no statement in the application or knowledge possessed by any Insured Person shall be imputed to any other Insured Person for the purpose of determining if coverage is available.

Definitions**18. When used in this coverage section:**

Claim means:

- (i) a written demand for monetary damages,
- (ii) a civil proceeding commenced by the service of a complaint or similar pleading,
- (iii) a criminal proceeding commenced by a return of an indictment, or
- (iv) a formal administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order or similar document,

against any **Insured Person** for a **Wrongful Act**, including any appeal therefrom.

Defense Costs means that part of **Loss** consisting of reasonable costs, charges, fees (including but not limited to attorneys' fees and experts' fees) and expenses (other than regular or overtime wages, salaries or fees of the directors, officers or employees of the **Insured Organization**) incurred in defending or investigating **Claims** and the premium for appeal, attachment or similar bonds.

Financial Impairment means the status of the **Insured Organization** resulting from (i) the appointment by any state or federal official, agency or court of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate the **Insured Organization**, or (ii) the **Insured Organization** becoming a debtor in possession.

Insured, either in the singular or plural, means the **Insured Organization** and any **Insured Person**.

Insured Capacity means the position or capacity designated in Item 6 of the Declarations for this coverage section held by any **Insured Person** but shall not include any position or capacity in any organization other than the **Insured Organization**, even if the **Insured Organization** directed or requested the **Insured Person** to serve in such other position or capacity.

Insured Organization means, collectively, those organizations designated in Item 5 of the Declarations for this coverage section.

Insured Person, either in the singular or plural, means any one or more of those persons designated in Item 6 of the Declarations for this coverage section.

Interrelated Wrongful Acts means all causally connected **Wrongful Acts**.

Loss means the total amount which any **Insured Person** becomes legally obligated to pay on account of each **Claim** and for all **Claims** in each **Policy Period** and the **Extended Reporting Period**, if exercised, made against them for **Wrongful Acts** for which coverage applies, including, but not limited to, damages, judgments, settlements, costs and **Defense Costs**. **Loss** does not include (i) any amount not indemnified by the **Insured Organization** for which the **Insured Person** is absolved from payment by reason of any covenant, agreement or court order, (ii) any amount incurred by the **Insured Organization** (including its board of directors or any committee of the board of directors) in connection with the investigation or evaluation of any **Claim** or potential **Claim** by or on behalf of the **Insured Organization**, (iii) fines or penalties imposed by law or the multiple portion of any multiplied damage award, or (iv) matters uninsurable under the law pursuant to which this coverage section is construed.

10 of 11



Executive Protection Policy

Definitions (continued)

Pollutants means any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by, the United States Environmental Protection Agency or a state, county, municipality or locality counterpart thereof. Such substances shall include, without limitation, solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials. **Pollutants** shall also mean any other air emission, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products and any noise.

Subsidiary, either in the singular or plural, means any organization in which more than 50% of the outstanding securities or voting rights representing the present right to vote for election of directors is owned or controlled, directly or indirectly, in any combination, by one or more **Insured Organizations**.

Wrongful Act means any error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, or allegedly committed or attempted, by an **Insured Person**, individually or otherwise, in his **Insured Capacity**, or any matter claimed against him solely by reason of his serving in such **Insured Capacity**.



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 1

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

ILLINOIS AMENDATORY ENDORSEMENT

It is agreed that:

Subsection 4, "Extended Reporting Period", shall be deleted and replaced by the following:

EXTENDED REPORTING PERIOD

4. If the Company or the Insured terminates or refuses to renew this coverage section, the Parent Organization and the Insured Persons shall have the right, upon payment of the additional premium set forth in Item 7(A) of the Declarations for this coverage section, to an extension of the coverage granted by the coverage section for a period of one year as set forth in Item 7(B) of the Declarations for this coverage section (Extended Reporting Period) following the effective date of termination or nonrenewal, but only for any Wrongful Act committed, attempted, or allegedly committed or attempted, prior to the effective date of termination or nonrenewal. This right of extension shall lapse unless written notice of such election, together with payment of the additional premium due, is received by the Company within 30 days following the effective date of termination or nonrenewal. Any Claim made during the Extended Reporting Period shall be deemed to have been made during the immediately preceding Policy Period.

It is further agreed that Subsection 18, "Definitions", shall be amended by deleting Defense Costs and replacing it with the following:

Defense Costs means that part of Loss consisting of reasonable costs, charges, fees (including but not limited to attorneys' fees and experts' fees) and expenses (other than regular or overtime wages, salaries or fees of the directors, officers or employees of the Insured Organization or the salaries of the employees, officers or staff attorneys of the Company) incurred in defending or investigating Claims and the premium for appeal, attachment or similar bonds.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 2

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that, notwithstanding anything to the contrary in subsection 4, Extended Reporting Period, the Parent Organization and the Insured Persons shall have the right to elect an Extended Reporting Period as provided in subsection 4 if either the Company or the Parent Organization terminates or refuses to renew this coverage section for any reason other than for nonpayment of premium.

All other terms and conditions remain unchanged.

Authorized Representative

March 13, 2001

Date



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 3

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

-
1. Subsection 18, Definitions, is amended by adding the following:

Securities Claim means any Claim which, in whole or part, is (i) based upon, arises from or is in consequence of the purchase or sale of, or offer to purchase or sell, any securities issued by any Insured Organization, or (ii) brought by or on behalf of one or more owners of securities issued by any Insured Organization.

Year 2000 Claim means any Claim which, in whole or in part, is based upon, arising from or in consequence of a Year 2000 Problem.

Year 2000 Problem means the inability of any:

- (1) hardware, software, operation system, network, microprocessor; or
- (2) other computer, data processing or communications system, equipment or component; or
- (3) other system, equipment or component that communicates with any of the foregoing,

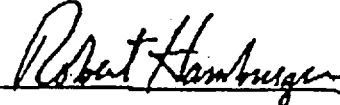
to accept, retrieve, recognize, understand, interpret, identify, distinguish, process, communicate or otherwise use any date or time data or any information or code which contains date or time data if such inability arises solely because such dates or times are in the year 1999 or any subsequent year, including without limitation such data problems associated with leap years in or after the year 2000.

2. It is agreed that subsection 12, Allocation, is amended by adding the following:

If, with respect to any Year 2000 Claim other than a Securities Claim, the Insured Persons incur both covered Loss and uncovered loss, either because the Year 2000 Claim against the Insured Persons includes both covered and uncovered matters or because the Year 2000 Claim is made against both an Insured Person and the Insured Organization, the Insureds and the Company shall allocate such amount to covered Loss as follows:

- (a) a minimum of 30% of such amount shall be allocated to covered Loss, provided nothing in this subparagraph shall affect any right of the Insureds to a larger allocation of such amount to covered Loss.

All other terms and conditions remain unchanged.



Authorized Representative

March 13, 2001

Date

back pg. end. #3



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of

Endorsement No. 4

this endorsement: DECEMBER 04, 1998

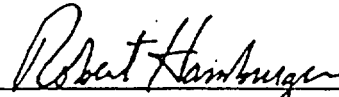
To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that Section 14. CHANGES IN EXPOSURE, the second paragraph is deleted in its entirety and replaced with the following:

- If the fair value of all cash, securities, assumed indebtedness and other consideration paid by the INSURED ORGANIZATION for any such acquisition or creation exceeds 15% of the total assets of the PARENT ORGANIZATION as reflected in the PARENT ORGANIZATION'S most recent audited consolidated financial statements, the PARENT ORGANIZATION shall give written notice of such acquisition or creation to the Company as soon as practicable together with such information as the Company may require and shall pay any reasonable additional premium required by the Company.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



Authorized Representative

March 13, 2001

Date

damages specified in subsection (iv)(a), (b) and (c) above are insurable under this coverage section, provided that such jurisdiction:

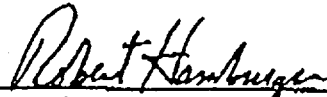
is where those damages were awarded or imposed

is where any WRONGFUL ACT occurred for which such damages were awarded or imposed;

is where any INSURED ORGANIZATION is incorporated or has its principal place of business, or

is where the Company is incorporated or has its principal place of business.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



Authorized Representative

March 13, 2001

Date

back pg end. #5



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 5

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that subsection 18., DEFINITIONS, is amended by deleting the definition of LOSS and inserting the following:

[LOSS means the total amount which any INSURED becomes legally obligated to pay on account of each CLAIM and for all CLAIMS in each POLICY PERIOD and the Extended Reporting Period, if exercised, made against them for WRONGFUL ACTS for which coverage applies, including, but not limited to, damages, judgments, settlements, costs and DEFENSE COSTS, LOSS does not include:

- (i) any amount not indemnified by the INSURED ORGANIZATION for which the INSURED is absolved from payment by reason of any covenant, agreement or court order;
- (ii) the future salary or benefits of a claimant who has been or shall be hired, promoted or reinstated to employment pursuant to a settlement, order or other resolution;
- (iii) matters uninsurable under the law pursuant to which this coverage section is construed; or
- (iv) fines or penalties imposed by law. However, fines or penalties shall not include:
 - (a) punitive or exemplary damages
 - (b) liquidated damages awarded pursuant to the Age Discrimination in Employment Act of the Equal Pay Act, or
 - (c) the multiple portion of any multiplied damage award,if such damages are insurable under the law pursuant to which this coverage section is construed.]

It is agreed that the law of the jurisdiction most favorable to the insurability of those damages shall control for the purpose of resolving any dispute between the Company and the INSURED regarding whether the



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 6

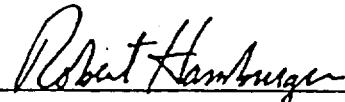
To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

With respects to Endorsement No. 11 , OUTSIDE DIRECTORSHIPS, Item 2. the definition of OUTSIDE ENTITY is amended to read as follows:

OUTSIDE ENTITY means any non-profit corporation, community chest, fund or foundation that is not included in the definition of INSURED ORGANIZATION and is exempt from federal income tax as an organization, or the foreign equivalent of federal income tax.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 7

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that Item 9. of the declarations is replaced with the following:

This Continuity Date of 9/4/86 shall only apply to the limits of liability of \$5,000,000. for each LOSS and \$5,000,000. for each POLICY PERIOD.

This Continuity Date of 9/4/91 shall only apply to the limits of liability of \$5,000,000 in excess of \$5,000,000 for each LOSS and \$5,000,000. in excess of \$5,000,000. for each POLICY PERIOD.

This Continuity Date of 9/4/97 shall only apply to the limits of liability of \$5,000,000 in excess of \$10,000,000 for each LOSS and \$5,000,000. in excess of \$10,000,000. for each POLICY PERIOD.

This Continuity Date of 12/4/98 shall only apply to the limits of liability of \$5,000,000 in excess of \$15,000,000 for each LOSS and \$5,000,000. in excess of \$15,000,000. for each POLICY PERIOD

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

Authorized Representative

March 13, 2001

Date



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 8

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that:

1. This coverage section is amended by adding the following:

**Insured Organization Coverage
Insuring Clause 3**

The Company shall pay on behalf of any Insured Organization all Loss for which it becomes legally obligated to pay on account of any Claim first made against it during the Policy Period or, if exercised, during the Extended Reporting Period, for a Wrongful Act committed, attempted, or allegedly committed or attempted, by any Insured before or during the Policy Period.

2. Subsection 18, Definitions, is amended as follows:

- a. The definitions of Claim and Wrongful Act are deleted in their entirety and the following is inserted:

Claim means:

- (a) For purposes of coverage under Insuring Clauses 1 or 2:
 - (i) a written demand for monetary or non-monetary damages;
 - (ii) a civil proceeding commenced by the service of a complaint or similar pleading;
 - (iii) a criminal proceeding commenced by the return of an indictment; or
 - (iv) a formal administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order or similar document,against any Insured Person for a Wrongful Act, including any appeal therefrom;
- (b) For purposes of coverage under Insuring Clause 3:
 - (i) a written demand for monetary or non-monetary damages;
 - (ii) a civil proceeding commenced by the service of a complaint or similar pleading; or
 - (iii) a criminal proceeding commenced by the return of an indictment;against any Insured Organization for a Wrongful Act, including any appeal therefrom.

Wrongful Act means:

- (a) For purposes of coverage under Insuring Clauses 1 or 2, any error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, or allegedly committed or attempted, by any Insured Person, individually or otherwise, in his Insured Capacity, or any matter claimed against him solely by reason of serving in such Insured Capacity;
 - (b) For purposes of coverage under Insuring Clause 3, any error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, or allegedly committed or attempted, by any Insured based upon, arising from, or in consequence of any Securities Transaction.
- b. The following definition is added:

Securities Transaction means the purchase or sale of, or offer to purchase or sell, any securities issued by any Insured Organization.

- c. The definitions of **Insured Person** and **Loss** are amended by adding the following:

Insured Person also means:

- (i) For purposes of coverage under Insuring Clause 1 or 2, any past, present or future employee of the **Insured Organization**, but only for **Wrongful Acts** based upon, arising from or in consequence of any **Securities Transaction**; and
- (ii) For purposes of coverage under Insuring Clause 3, the **Insured Organization**.

Loss does not include any amount allocated to uncovered loss pursuant to subsection 12, Allocation. For purposes of coverage under Insuring Clause 3, **Loss** includes punitive or exemplary damages which any **Insured Organization** becomes legally obligated to pay, provided the punitive or exemplary damages are otherwise covered under Insuring Clause 3 and are insurable under the law pursuant to which this coverage section is construed.

The heading for subsection 5 is deleted in its entirety and the following is inserted:

Exclusions Applicable to all Insuring Clauses

Subsection 5, **Exclusions: Exclusions Applicable to all Insuring Clauses**, is amended by adding the following to paragraph (c):

- (iv) a **Claim** that is brought by any **Insured Person** identified in section 2c(i) of this endorsement for any **Wrongful Act** based upon, arising from or in consequence of any **Securities Transaction**.

Exclusions is amended by adding the following subsections:

Exclusions Applicable to Insuring Clause 3 Only

- 6.1 The Company shall not be liable under Insuring Clause 3 for **Loss** on account of any **Claim** made against any **Insured Organization** based upon, arising from, or in consequence of any deliberately fraudulent act or omission or any willful violation of any statute or regulation by any past, present or future chief financial officer, President or Chairman if a judgment or other final adjudication adverse to the **Insured Organization** establishes such a deliberately fraudulent act or omission or willful violation.
- 6.2 The Company shall not be liable under Insuring Clause 3 for that part of **Loss**, other than **Defense Costs**:
 - (a) which is based upon, arises from, or is in consequence of the actual or proposed payment by any **Insured Organization** of allegedly inadequate or excessive consideration in connection with its purchase of securities issued by any **Insured Organization**; or
 - (b) which is based upon, arises from, or is in consequence of any **Insured Organization** having gained in fact any profit or advantage to which it was not legally entitled.

The second, third and fourth paragraphs of subsection 8, **Limit of Liability, Deductible and Coinsurance**, are deleted in their entirety and the following is inserted:

The Company's maximum liability for each **Loss**, whether covered under one or more Insuring Clauses, shall be the Limit of Liability for each **Loss** set forth in Item 2(a) of the Declarations for this coverage section. The Company's maximum aggregate liability for all **Loss** on account of all **Claims** first made during the same **Policy Period**, whether covered under one or more Insuring Clauses, shall be the Limit of Liability for each **Policy Period** set forth in Item 2(B) of the Declarations for this coverage section.

The Company's liability under Insuring Clause 2 or Insuring Clause 3 shall apply only to that part of each **Loss** which is excess of the **Deductible Amount** set forth in Item 4 of the Declarations for this coverage section, and such **Deductible Amount** shall be borne by the **Insureds** uninsured and at their own risk. However, the **Deductible Amount** applicable to each **Loss** on account of any **Claim** for any **Wrongful Acts** based upon, arising from or in consequence of any **Securities Transaction** shall:

- (a) apply only to that part of **Loss** which constitutes **Defense Costs**; and
- (b) not apply if:

2 of 4 end. # 8

for purposes of this subsection 9, the shareholder and board of director resolutions of the Insured Organization shall be deemed to provide indemnification for such Loss to the fullest extent permitted by common or statutory law.

If other terms and conditions remain unchanged.

Robert Hamburger

Authorized Representative

March 13, 2001

Date

pg. 4 end. #8.



- (i) a final adjudication with prejudice pursuant to a trial, motion to dismiss or motion for summary judgment in such Claim, or
 - (ii) a complete and final settlement of such Claim with prejudice,
- establishes that no Insured in such Claim is liable for any Loss, other than Defense Costs. The Company shall reimburse any Insured which has funded a Deductible Amount if such amount subsequently becomes inapplicable based upon (i) or (ii) above.

The maximum Deductible Amount applicable to a single Loss which is covered under more than one Insuring Clause shall be the amount set forth in Item 4 of the Declarations for this coverage section.

7. The first paragraph of subsection 12, **Allocation**, is deleted in its entirety and the following is inserted:

- (a) If a Claim based on, arising from or in consequence of a Securities Transaction covered, in whole or in part, under Insuring Clauses 2 or 3 results in any Insured Person under Insuring Clause 2, any Insured Organization under Insuring Clause 3 incurring both Loss covered by this coverage section and loss not covered by this coverage section, because such Claim includes both covered and uncovered matters or is made against both covered and uncovered parties, the Insureds and the Company shall allocate such amount to Loss as follows:

- (i) 100% of such amount constituting defense costs shall be allocated to covered Loss; and
- (ii) 100 % of such amount other than defense costs shall be allocated to covered Loss.

- (b) If any other Claim results in both Loss covered by this coverage section and loss not covered by this coverage section, because such Claim includes both covered and uncovered matters or is made against both covered and uncovered parties, the Insureds and the Company shall allocate such amount between covered Loss and uncovered loss based upon the relative legal exposures of the parties to such matters.

8. For purposes of coverage under Insuring Clause 3 only, the second paragraph of subsection 17, **Representations and Severability**, is deleted in its entirety and the following is inserted:

With respect to the declarations and statements contained in the written application(s) for coverage, all declarations and statements contained in such application and knowledge possessed by any Insured Person identified in Item 6 of the Declarations shall be imputed to any Insured Organization for the purpose of determining if coverage is available.

9. For purposes of coverage under Insuring Clause 3 only, subsection 7, **Severability of Exclusions**, is deleted in its entirety and the following is inserted:

With respect to the exclusions in subsections 5, 6.1 and 6.2, only facts pertaining to and knowledge possessed by any past, present or future chief financial officer, President or Chairman of any Insured Organization shall be imputed to any Insured Organization to determine if coverage is available for such Insured Organization.

10. For purposes of coverage for employees who are Insured Persons pursuant to paragraph 2c(i) of this endorsement, subsection 9, **Presumptive Indemnification**, is amended as follows:

- a. Paragraph (b) is deleted in its entirety and the following is inserted:

- (b) is permitted or required to indemnify the Insured Person for such Loss pursuant to common or statutory law,

- b. The final paragraph in the subsection is deleted in its entirety and the following is inserted:



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 9

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that:

1. The following is added to this coverage section:

Investigative Costs Coverage
Insuring Clause 4

The Company shall pay on behalf of the Insured Organization all Investigative Costs which such Insured Organization becomes legally obligated to pay on account of any Shareholder Derivative Demand first made during the Policy Period or, if exercised, the Extended Reporting Period, for a Wrongful Act committed, attempted, or allegedly committed or attempted, by an Insured Person before or during the Policy Period.

2. Subsection 5, Exclusions Applicable to Insuring Clauses 1 and 2, is amended by deleting the subsection heading in its entirety and inserting the following:

Exclusions Applicable to Insuring Clauses 1, 2 and 4

3. Subsection 8, Limit of Liability, Deductible and Coinsurance, is amended as follows:

- a. The following is added to paragraph two:

The Company's maximum liability for all Investigative Costs covered under Insuring Clause 4 on account of all Shareholder Derivative Demands first made during the same Policy Period shall be \$250,000. This is a sublimit which further limits and does not increase the Company's maximum liability under this coverage section as set forth in Item 2(B) of the Declarations for this coverage section.

- b. The following is added to paragraph three:

No deductible amount shall apply to Investigative Costs covered under Insuring Clause 4.

4. Subsection 11, Defense and Settlement, is amended for purposes of coverage under Insuring Clause 4 by deleting the first paragraph in its entirety and inserting the following:

Subject to this subsection, it shall be the duty of the Insured Organization and not the duty of the Company to investigate and evaluate any Shareholder Derivative Demand.

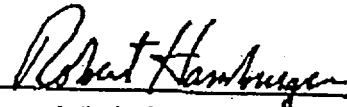
5. Subsection 18, Definitions, is amended by adding the following:

Investigative Costs means reasonable costs, charges, fees (including but not limited to attorneys' fees and experts' fees) and expenses (other than regular or overtime wages, salaries or fees of the directors, officers or employees of the Insured Organization) incurred by the Insured Organization (including its board of directors or any committee of the board of directors) in connection with the investigation or evaluation of any Shareholder Derivative Demand.

Shareholder Derivative Demand means any written demand, by one or more shareholders of an **Insured Organization**, upon the board of directors of such **Insured Organization**, to bring a civil proceeding in a court of law against any **Insured Person** for a **Wrongful Act** committed, attempted or allegedly committed or attempted by an **Insured Person** before or during the **Policy Period**.

- i. For purposes of coverage under Insuring Clause 4 only,
 - a. all references in this coverage section to **Loss or Defense Costs** shall only mean **Investigation Costs**; and
 - b. all references in this coverage section to **Claim** or to "**Claim against any Insured Person**" shall only mean any **Shareholder Derivative Demand**.

all other terms and conditions remain unchanged.



Authorized Representative

March 13, 2001

Date

pg 2 end. # 9



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 10

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that:

1. Item 6 of the Declarations, Insured Persons, is amended by adding the following:
Past, present and future employees of the Insured Organization;
Provided, however, that coverage provided to employees pursuant to this paragraph shall apply only to Employment Claims.
2. Subsection 5, Exclusions: Exclusions Applicable to Insuring Clauses 1 and 2, is amended by deleting paragraphs (c), (d) and (e) in their entirety and inserting the following:
 - (c) brought or maintained by or on behalf of any Insured except:
 - (i) a Claim that is a derivative action brought or maintained on behalf of an Insured Organization by one or more persons who are not Insured Persons and who bring and maintain the Claim without the solicitation, assistance, or participation of any Insured;
 - (ii) an Employment Claim;
 - (iii) a Claim brought or maintained by or on behalf of an Insured Person for contribution or indemnity, if the Claim directly results from another Claim covered under this policy;
 - (iv) a Claim brought or maintained by an Insured Person for the actual or alleged wrongful termination of the Insured Person;
 - (d) for an actual or alleged violation of the responsibilities, obligations, or duties imposed by the Employee Retirement Income Security Act of 1974, the Fair Labor Standards Act (except the Equal Pay Act), the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, rules or regulations promulgated thereunder and amendments thereto or similar provisions of any federal, state, or local statutory law or common law;
 - (e) for mental or emotional distress (except with respect to Employment Claims), bodily injury, sickness, disease or death of any person, or damage to or destruction of any tangible property including loss of use thereof; or
3. Where all or any part of a Claim is an Employment Claim, the Company shall not be liable for Loss on account of that part of a Claim against an Insured Person which is based upon, arising from, or in consequence of any demand, suit or other proceeding pending, or order, decree or judgment entered against any Insured on or prior to December 04, 1998, or the same or any substantially similar fact, circumstance or situation underlying or alleged therein;

Subsection 5, **Exclusions: Exclusions Applicable to Insuring Clauses 1 and 2**, is amended by adding the following:

- (i) based upon, arising from or in consequence of any facts or circumstances of which any officer of the Insured Organization had knowledge, as of the date referenced in section 3 of this endorsement, which he or she had reason to suppose might give rise to a future **Employment Claim**.

Subsection 9, **Presumptive Indemnification**, is amended as follows, but only with respect to **Employment Claims**:

- a. Paragraphs (i) and (ii) are deleted in their entirety and the following is inserted:
the broadest application of law;

- b. The final paragraph of subsection 9 is deleted in its entirety.

Subsection 18, **Definitions**, is amended by adding the following:

Employment Claim means a **Claim** which is brought and maintained by or on behalf of any past, present or prospective employees of the Insured Organization against any Insured Person for any **Wrongful Act** in connection with any actual or alleged wrongful dismissal, discharge or termination of employment, breach of any oral or written employment contract or quasi-employment contract, employment-related misrepresentation, violation of employment discrimination laws (including workplace harassment), wrongful failure to employ or promote, wrongful discipline, wrongful deprivation of a career opportunity, failure to grant tenure, negligent evaluation, invasion of privacy, employment-related defamation or employment-related wrongful infliction of emotional distress.

Other terms and conditions remain unchanged.



Authorized Representative

March 13, 2001

Date

pg 2 end. #10



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 11

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that:

1. Item 6 of the Declarations, Insured Persons, is amended by adding the following:
... and any elected or appointed officer of the Insured Organization in an Outside Directorship.
2. Subsection 18, "Definitions", is amended by adding the following:

Outside Directorship means the position of director, officer, trustee, governor, or equivalent executive position with an **Outside Entity** if service by an **Insured Person** in such position was at the specific request of the **Insured Organization** or was part of the duties regularly assigned to the **Insured Person** by the **Insured Organization**.

Outside Entity means any non-profit corporation, community chest, fund organization or foundation exempt from federal income tax as an organization described in Section 501(c)(3), Internal Revenue Code of 1986, as amended.

3. The following subsection is added to this coverage section:

OUTSIDE DIRECTORSHIPS

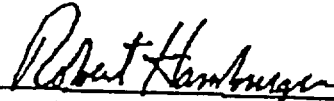
19. Coverage provided to any **Insured Person** in an **Outside Directorship** shall:

- (a) not extend to the **Outside Entity** or to any director, officer, trustee, governor or any other equivalent executive or employee of the **Outside Entity**, other than the **Insured Person** serving in the **Outside Directorship**;
- (b) be specifically excess of any indemnity (other than any indemnity provided by the **Insured Organization**) or insurance available to such **Insured Person** by reason of serving in the **Outside Directorship**, including any indemnity or insurance available from or provided by the **Outside Entity**;
- (c) not extend to **Loss** on account of any **Claim** made against any **Insured Person** for a **Wrongful Act** committed, attempted, or allegedly committed or attempted by such **Insured Person** while serving in the **Outside Directorship** if such **Wrongful Act** is committed, attempted, or allegedly committed or attempted, after the date (i) such **Insured Person** ceases to be an officer of the **Insured Organization**, or (ii) service by such **Insured Person** in the **Outside Directorship** ceases to be at the specific request of the **Insured Organization** or a part of the duties regularly assigned to the **Insured Person** by the **Insured Organization**;
- (d) not extend to **Loss** on account of any **Claim** made against any **Insured Person** for a **Wrongful Act** committed, attempted or allegedly committed or attempted by such **Insured Person** while serving in the **Outside Directorship** where such **Claim** is (i) by the **Outside Entity**, or (ii) on behalf of the **Outside Entity** and a director, officer, trustee, governor or equivalent executive of the **Outside Entity** instigates such **Claim**, or (iii) by any director, officer, trustee, governor or equivalent executive of the **Outside Entity**.

The Company's maximum liability to pay Loss under this coverage section, including this endorsement, shall not exceed the amount set forth in Item 2 of the Declarations. This endorsement does not increase the Company's maximum liability beyond the Limits of Liability set forth in Item 2 of the Declarations.

Payment by the Company or any of its subsidiaries or affiliated companies under another policy on account of a Claim also covered pursuant to this endorsement shall reduce by the amount of the payment the Company's Limits of Liability under this coverage section with respect to such Claim.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



Authorized Representative

March 13, 2001

Date

pg 2 end. #11



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 12

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that subsection 5, "Exclusions: Exclusions Applicable to Insuring Clauses 1 and 2", is amended by deleting paragraph (f) in its entirety and replacing it with the following:

(f) based upon, arising from, or in consequence of:

- (1) the actual, alleged or threatened discharge, release, escape or disposal of Pollutants into or on real or personal property, water or the atmosphere; or
- (2) any direction or request that the Insured test for, monitor, clean up, remove, contain, treat, detoxify or neutralize Pollutants, or any voluntary decision to do so;

including but not limited to any Claim for financial loss to the Insured Organization, its security holders or its creditors based upon, arising from or in consequence of the matters described in (1) and (2) above. However, this exclusion shall not apply to Loss (i) which is on account of any Claim brought by any shareholder of the Insured Organization in his capacity as such, whether in his own right or on behalf of the Insured Organization, provided that such Claim is brought and maintained without the assistance, participation or solicitation of any Insured, and (ii) for which the Insured Organization either is not permitted or required, or fails or refuses by reason of Financial Impairment, to indemnify the Insured Person(s). For purposes of this endorsement, the certificate of incorporation, by-laws and shareholder and board of director resolutions of the Insured Organization shall be deemed to provide indemnification to the Insured Person(s) to the fullest extent permitted by law.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 13

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that if a Claim against an Insured Person includes a claim against the Insured Person's lawful spouse solely by reason of (i) such spouse's status as a spouse of the Insured Person, or (ii) such spouse's ownership interest in property which the claimant seeks as recovery for alleged Wrongful Acts of the Insured Person, all loss which such spouse becomes legally obligated to pay on account of such Claim shall be treated for purposes of this coverage section as Loss which the Insured Person becomes legally obligated to pay on account of the Claim made against the Insured Person. All limitations, conditions, provisions and other terms of coverage (including the deductible) applicable to the Insured Person's Loss shall also be applicable to such spousal loss.

The coverage extension afforded by this Endorsement does not apply to any Claim alleging any wrongful act or omission by the Insured Person's spouse.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date



Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: MARCH 13, 2000

Endorsement No. 14

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that Item 6., INSURED PERSONS, is amended to include
the following individual:

A. Frederick Dohmann

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date

Exhibit 2

EXECUTIVE LIABILITY UNDERWRITERS

An XL Specialty Division

EXCESS Policy

Executive Liability Underwriters
One Financial Plaza, 10th Floor
755 Main Street
Hartford, CT 06103
Phone: 860-246-1863
Fax: 860-246-1921
Email: submissions@xlelu.com

EXCESS POLICY COVERAGE FORM

THIS IS A CLAIMS MADE POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY ONLY APPLIES TO CLAIMS FIRST MADE DURING THE POLICY PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS SHALL BE REDUCED AND MAY BE EXHAUSTED BY THE PAYMENT OF DEFENSE EXPENSES. THIS POLICY DOES NOT PROVIDE FOR ANY DUTY BY THE INSURER TO DEFEND ANY INSURED. PLEASE READ AND REVIEW THE POLICY CAREFULLY.

In consideration of the payment of the premium, and in reliance on all statements made and information furnished to Executive Liability Underwriters, the Underwriting Manager for the Insurer identified in the Declarations (hereinafter the Insurer) and to the issuer(s) of the Underlying Insurance, and subject to all of the terms, conditions and endorsements of this Policy, the Insurer and the Insured Entity, on its own behalf and on behalf of all persons and entity(s) entitled to coverage hereunder, agree as follows:

I. INSURING AGREEMENT

The Insurer will provide the Insured with insurance coverage for claims first made against the Insured during the Policy Period excess of the Underlying Insurance stated in ITEM 4 of the Declarations. Coverage hereunder will apply in conformance with the terms, conditions, endorsements and warranties of the Primary Policy together with the terms, conditions, endorsements and warranties of any other Underlying Insurance. The coverage hereunder will attach only after all of the Underlying Insurance has been exhausted by the actual payment of loss by the applicable insurers thereunder and in no event will the coverage under this Policy be broader than the coverage under any Underlying Insurance.

II. DEFINITIONS

- (A) "Insured" means, either in the singular or plural, those persons or organizations designated as insureds in the Underlying Insurance.
- (B) "Policy Period" means the period designated in ITEM 2 of the Declarations, or to any earlier cancellation date.
- (C) "Primary Policy" means the policy designated in ITEM 4 (A) of the Declarations.
- (D) "Underlying Insurance" means all policy(s) designated in ITEM 4 of the Declarations.

III. DEPLETION OF UNDERLYING LIMITS OF LIABILITY

- (A) This Policy, subject to the terms, conditions, limitations and endorsements of this Policy and the Underlying Insurance, will continue to apply to loss as excess insurance remaining under such Underlying Insurance, in the event of the reduction or exhaustion of the limits of liability of the Underlying Insurance solely as the result of the actual payment of loss by the applicable insurer thereunder.
- (B) This Policy, subject to the terms, conditions, limitations and endorsements of this Policy and the Underlying Insurance, will continue for subsequent claims or loss as primary insurance in the event of the exhaustion of all of the limits of liability of such Underlying Insurance solely as the result of the actual payment of loss by the applicable insurer thereunder.
- (C) Any risk of uncollectibility with respect to the Underlying Insurance will be expressly retained by the Insured and will not be assumed by the Insurer.

This Policy, subject to all its terms, conditions and endorsements, will not drop down for any reason including, but not limited to uncollectibility (in whole or in part) whether because of financial impairment or insolvency of the **Underlying Insurance** or for any other reason except for the actual payment of loss by the applicable Insurer thereunder.

IV. MAINTENANCE OF UNDERLYING INSURANCE

- (A) The limit(s) of liability of the **Underlying Insurance** designated in ITEM 4 of the Declarations shall be maintained during the Policy Period in full effect except for any reduction or exhaustion of the aggregate limits of liability available under the **Underlying Insurance** solely by reason of actual payment of loss thereunder. Failure to comply with the foregoing will not invalidate this Policy but the Insurer will not be liable to a greater extent than if this condition had been complied with. If for any reason the **Underlying Insurance** is not maintained, then the Insured will be deemed to be self-insured for that amount of the limit(s) of liability of such **Underlying Insurance**.
- (B) In the event of a change of any kind to any **Underlying Insurance** by endorsement, rewrite or otherwise, the coverage under this Policy will become subject to such change only if and to the extent that the Insurer consents to such change by written endorsement to this Policy.
- (C) The Insurer will not be liable under this Policy earlier or to any greater extent than it would have been as a result of the actual or alleged failure by the Insureds to give notice or to exercise any extensions under any **Underlying Insurance**, or misrepresentation or breach of warranty with respect to any **Underlying Insurance**.

V. CLAIM PARTICIPATION

The Insurer may, at its sole discretion, elect to participate in the investigation, settlement and/or defense of any claim against the Insured even if the **Underlying Insurance** has not been exhausted and the Insured will provide such information and cooperation as is reasonably requested.

VI. LIMIT OF LIABILITY

The amount stated in ITEM 3 of the Declarations is the limit of liability of the Insurer and shall be the maximum amount payable, including Defense Expenses, by the Insurer under this Policy. Defense Expenses are part of and not in addition to the limit of liability and the payment of such will reduce the limit of liability.

VII. NOTICE

The Insured will, as a condition precedent to the coverage available under this Policy, give written notice as soon as practicable to the Insurer of:

- (A) any claim under any **Underlying Insurance**, or any situation that is required to be reported under any **Underlying Insurance** that could give rise to a claim under any **Underlying Insurance**;
- (B) the cancellation of any **Underlying Insurance**;
- (C) any change to the **Underlying Insurance** by rewrite, endorsement or otherwise; or
- (D) any additional or return premiums charged or allowed in connection with any **Underlying Insurance**.

The Insured Entity will be the sole agent for and will act on behalf, of the Insured with respect to all matters under this Policy, including but not limited to giving and receiving notices and other communications, effecting or accepting any endorsements to or notice of cancellation of this Policy, paying premium and receipt of any return premiums.

Notice given to any underlying insurer of any claim or any situation that could give rise to a claim under any Underlying Insurance scheduled in ITEM 4 of the Declarations will not be deemed notice to the Insurer. Notice of any claim or situation that could give rise to a claim must be sent by certified mail or the equivalent to the address set forth in ITEM 5 of the Declarations; Attention: Claim Department.

VIII. POLICY TERMINATION

- (A) The Insured Entity may cancel this Policy by mailing to the Insurer written notice when such cancellation shall be effective, provided the date of cancellation is not later than the Expiration Date set forth in ITEM 2 of the Declarations.
- (B) The Insurer will refund the unearned premium computed at the customary short rate if the Policy is canceled by the Insured Entity. Under all other circumstances, any unearned premium will be computed pro rata.
- (C) This Policy will terminate immediately upon the termination of any of the policies scheduled in ITEM 4 of the Declarations, whether canceled by the Insured Entity or the applicable insurer. Notice of cancellation or non-renewal of any such policies duly given by any of the applicable insurers shall serve as notice of the cancellation or non-renewal of this Policy by the Insurer.

IX. ALTERATION

No change in or modification of this Policy shall be effective unless made by endorsement signed by an authorized employee of the Insurer.

Policy Number: ELU 81919-00



Greenwich Insurance Company
XL Specialty Insurance Company

Renewal of Number: _____

**EXCESS POLICY
DECLARATIONS**

Executive Offices
70 Seaview Avenue
Stamford, CT 06902-6040
Telephone 877-953-2636

THIS IS A CLAIMS MADE POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY ONLY APPLIES TO CLAIMS FIRST MADE DURING THE POLICY PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS SHALL BE REDUCED AND MAY BE EXHAUSTED BY THE PAYMENT OF DEFENSE EXPENSES. THIS POLICY DOES NOT PROVIDE FOR ANY DUTY BY THE INSURER TO DEFEND ANY INSURED. PLEASE READ AND REVIEW THE POLICY CAREFULLY.

Item 1. Name and Mailing Address of Insured Entity

Fansteel, Inc.
Number One Tantalum Place
North Chicago, IL 60064

Item 2. Policy Period From: August 1, 2000 To: December 4, 2001
At 12:01AM Standard Time at your Mailing Address Shown Above

Item 3. Limit of Liability:

\$25,000,000 Aggregate each Policy Period (including Defense Expenses)

Item 4. Schedule of Underlying Insurance

- (A) Primary Policy
Insurer: Federal Insurance Company
Policy No.: 8155-91-15
Limit of Liability \$25,000,000
- (B) Underlying Excess Policy(s)
Insurer:
Policy No.:
Limit of Liability:

Item 5. Notices required to be given to the Insurer must be addressed to:

Executive Liability Underwriters
One Financial Plaza, 10th Floor
Hartford, CT 06103

Item 6. Premium

Taxes, Surcharges or Fees	\$0.00
Total Policy Premium	\$67,200.00

Item 7. Endorsements Attached at Issuance
XL 90 04 01 00

Countersigned: _____

4/12/2001
Date

By: _____

Edaine J. Barnes

Authorized Representative

THESE DECLARATIONS AND THE POLICY, WITH THE ENDORSEMENTS, ATTACHMENTS, AND THE APPLICATION SHALL CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE INSURER AND THE INSURED RELATING TO THIS INSURANCE.

EXCESS POLICY DECLARATIONS

In Witness Whereof, the Insurer has caused this Policy to be executed by its authorized officers, but this Policy will not be valid unless countersigned on the Declarations page by a duly authorized representative of the Insurer.



Stanley Adam Galanski
President
XL Specialty Insurance Company

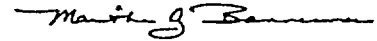


Ben Llaneta Jr.
Secretary



Richard J. Callahan
President

Greenwich Insurance Company



Martha G. Bannerman
Secretary

Endorsement No. 1
Named Insured: Fansteel, Inc.
Policy No: ELU 81919-00

XL 90 04 01 00
Effective: August 1, 2000
12:01 A.M. Standard Time

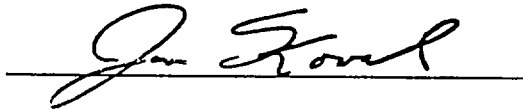
PENDING AND PRIOR LITIGATION ENDORSEMENT

No coverage will be available under this Policy for Loss, including Defense Expenses, resulting from claims based on, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any prior and/or pending litigation or proceeding or arbitration which incepted and/or was brought on or before:

August 1, 2000,

or any fact, circumstance, situation, transaction or event underlying or alleged in any such litigation, order, judgment or decree.

All other terms, conditions and limitations of this Policy remain unchanged.



Signature

James Koval

Print Name

Sr. Vice President

Title

Gary L. Tessitore
Chairman of the Board,
President and
Chief Executive Officer



number one tantalum place north chicago, Illinois 60064-3388 phone: (847) 689-4900 fax: (847) 689-0307

**RE: EXCESS LIMITS WARRANTY STATEMENT FOR INCREASING
LIMITS THROUGH GREENWICH INSURANCE COMPANY**

The undersigned declares that to the best of his or her knowledge and belief that within the scope of the proposed insurance, with respect to the limits of \$25,000,000 excess of \$25,000,000:

- (A) No claim has been made nor is now pending against any "Insured" proposed for insurance.
- (B) No Insured has any knowledge or information of any misstatement, misleading statement, act, error, or omission or neglect or breach of duty by an Insured.
- (C) No Insured has any knowledge of information of any mergers, acquisitions or consolidations involving the corporation which has been approved by the Board of Directors.

It is agreed that if such facts or circumstances exist, whether or not disclosed, any claim arising from them is excluded from this proposed coverage.

Date: August 1, 2000

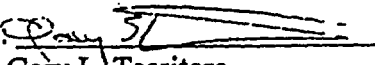
Signed: 
Gary L. Tessitore
Chairman of the Board,
President & CEO

Exhibit 3

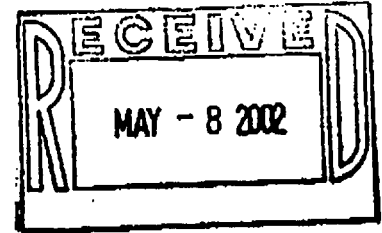


CHUBB GROUP OF INSURANCE COMPANIES

Fifth Avenue Place, 120 Fifth Avenue, Pittsburgh, PA 15222-3008
Phone: (412) 391-6585 • Facsimile: (412) 456-8979

May 2, 2002

Mr. Gary Tessitore
Chairman, President and Chief Executive Officer
Fansteel, Inc.
Number One Tantalum Place
North Chicago, IL 60064



Subject: Directors and Officers Liability Policy 12/04/01 – 12/04/02 Term

Dear Gary:

Per discussions with your broker, Doreen Schmitt of Aon, Pittsburgh, it is my understanding that we have come to an agreement on the terms and conditions for the above policy. In order to make sure that there are no misunderstandings, I would like to mutually sign-off on these terms. By way of this letter, I am confirming that the following terms are agreed to by Federal Insurance Company for the above referenced policy term. Please review them and return a signed copy.

- The Aggregate Limit of Liability from 12/4/2000 – 12/4/2001 shall be extended through 12/04/02
- The policy endorsements in effect as of the policy period ended 12/04/01 will remain intact and in effect through 12/04/2002 - with the exception of any future changes agreed to, in writing, by both Fansteel, Inc. (via Aon) and Federal Insurance Company.
- The policy shall be deemed to include Pollution Endorsement 14-02-1106 Ed. 4/92 (copy attached) and to have included this endorsement since the inception of the policy (12/4/98).
- Fansteel shall pay Federal \$200,130 in premium for the 12/04/01 to 12/04/02 policy period.

If you have any questions on the terms or agreement, please let me know.

Best regards,

Martha L. Jacobs
Manager, Executive Protection Department

Agreed to by:

Gary Tessitore
Chairman, President and Chief Executive Officer
Fansteel, Inc.

Mr. Tessitore
May 2, 2002
Page 2

Attachment

cc: Deneen Schmitt
Aon

Executive Protection Policy

ENDORSEMENT

Coverage Section: EXECUTIVE LIABILITY

Company: FEDERAL INSURANCE COMPANY

Effective date of
this endorsement: DECEMBER 04, 1998

Endorsement No. 12

To be attached to and form part of
Policy No. 8155-91-15

Issued to: FANSTEEL, INC.

It is agreed that subsection 5, "Exclusions: Exclusions Applicable to Insuring Clauses 1 and 2", is amended by deleting paragraph (f) in its entirety and replacing it with the following:

(f) based upon, arising from, or in consequence of:

- (1) the actual, alleged or threatened discharge, release, escape or disposal of **Pollutants** into or on real or personal property, water or the atmosphere; or
- (2) any direction or request that the **Insured** test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**, or any voluntary decision to do so;

including but not limited to any **Claim** for financial loss to the **Insured Organization**, its security holders or its creditors based upon, arising from or in consequence of the matters described in (1) and (2) above. However, this exclusion shall not apply to **Loss** (i) which is on account of any **Claim** brought by any shareholder of the **Insured Organization** in his capacity as such, whether in his own right or on behalf of the **Insured Organization**, provided that such **Claim** is brought and maintained without the assistance, participation or solicitation of any **Insured**, and (ii) for which the **Insured Organization** either is not permitted or required, or fails or refuses by reason of **Financial Impairment**, to indemnify the **Insured Person(s)**. For purposes of this endorsement, the certificate of incorporation, by-laws and shareholder and board of director resolutions of the **Insured Organization** shall be deemed to provide indemnification to the **Insured Person(s)** to the fullest extent permitted by law.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.


Authorized Representative

March 13, 2001

Date

Reference Copy

Exhibit 4

AON Aon Risk Services

Aon Risk Services, Inc. of Pennsylvania

Dominion Tower, 10th Floor

625 Liberty Avenue

Pittsburgh PA 15222-3110

(412) 594-7500 FAX (412) 562-9606

Fansteel Inc

Number One Tantalum Place

North Chicago IL 60064

Account Executive : Scherder, Richard G

Amount due on receipt of invoice

Invoice Number	Invoice Date	Invoice Amount	Currency
1700000007960	Jan-07-2002	10028064	US DOLLAR

Policy Number	Policy Dates	Insurance Company	Insurance Description	Premium	Total Invoice Amount
Dec-20-2001	ELU8191900	Greenwich Insurance Company	Excess Directors & Officers Coverage		
Dec-20-2001 - Dec-20-2002			Renewal		
Fansteel Inc					
		Excess D&O - (\$25 Mill xs \$25 Mill)			
			Premium	235,000.00	
			Total Invoice Amount		235,000.00

Please See Reverse Side for Statement Regarding Compensation

Page 1 of 1

Exhibit 5

R. Michael McEntee
Vice President and
Chief Financial Officer

Fansteel

November 19, 2001

VIA CERTIFIED MAIL/RRR

Executive Protection Department
Chubb Group of Insurance Companies
15 Mountain View Road
Warren, New Jersey 07059

Executive Liability Underwriters
One Financial Plaza, 10th Floor
755 Main Street
Hartford, CT 06103

Re: Fansteel, Inc.—Muskogee, Oklahoma Facility
Notice of Circumstances
Federal Insurance Company
Executive Protection Policy No. 8155-91-15
(12/4/98-12/4/01); and
Greenwich Insurance Company
Excess Policy No. XL 90 04 01 00
(8/1/00-12/4/01)

Dear Sir or Madam:

Fansteel is providing written notice of circumstances which could give rise to claims against the company and its directors and officers.

Until 1989, Fansteel operated a metal processing facility in Muskogee, Oklahoma (the "Muskogee Facility") at which it processed certain ores subject to the regulations of several government agencies including the Nuclear Regulatory Commission ("NRC"). After cessation of these metal processing operations, Fansteel was required to submit a nuclear decommissioning plan to the NRC setting forth the plan for closure of the Muskogee Facility. In 1995, the NRC approved Fansteel's amended license and approved Fansteel's plan to construct a commercial plant to process metal residues contained in on-site storage ponds. Fansteel constructed the



commercial processing plant and anticipated that operation of the plant would materially reduce the amount of radioactive materials to be disposed of during decommissioning. Fansteel expected to operate the plant for at least ten years. The cost of decommissioning was therefore estimated at \$4.7 Million and appropriate financial assurance posted with the NRC.

Pilot production processing began at the plant in 1999, however, due to problems during the pilot production, the project has experienced delays and increased costs, and processing at commercially viable production levels has not been achieved. In addition, the commercial market price for metal residues, including tantalum, has severely declined over the last four months. Consequently, the costs of operating the plant will exceed revenues from the sale of the processed materials. As a result, Fansteel has suspended its effort to commence commercial processing at the plant and intends to proceed with demolition and decommissioning. Due to this change in circumstances the company has reassessed its financial closure obligations for the Muskogee Facility and estimated that it will cost approximately \$57 million to excavate and remove the WIP and CAF residue in the on site ponds as well as contaminated soils. Due to the inherent uncertainties in the assumption of contaminated soil volume this estimate may vary. The company's current financial position will not support the financial assurance requirements of its license. In total the company will restate Environmental Liabilities from \$16,759,000 in 2000 to \$65,469,000 in 2001.

The company anticipates a potential adverse reaction from investors, creditors and other similarly situated parties upon the filing of the next 10Q, which is attached and incorporated herein as part of this notice of circumstances. The company believes that such a change in its financial condition constitutes circumstances which could give rise to a claim(s) under the policy.

Please contact me at the above-referenced number if you have any questions or would like to discuss this matter further.

Very truly yours,

A handwritten signature in black ink, reading "R. Michael McEntee". The signature is written in a cursive, flowing style.

R. Michael McEntee

cc: National Claims Department
Chubb Group of Insurance Companies
15 Mountain View Road
Warren, New Jersey 07059

Exhibit 6



Aon Risk Services

December 3, 2001

Mr. Michael McEntee
Chief Financial Officer
Fansteel, Inc.
One Tantalum Place
North Chicago, IL 60064

RE: Fansteel, Inc.
Primary Directors & Officers Liability Policy No. 8155-91-15
Federal Insurance Company

Dear Mike:

Pursuant to our conference call of today, I am writing to confirm that Federal Insurance Company has agreed to continue binding the captioned policy until December 15, 2001, to allow time for you to review the renewal options.

In accordance with our discussion, Federal Insurance Company has offered optional quotations as follows based on Fansteel retracting the Circumstance Reporting Letter filed with Chubb:

Option 1

Limit of Liability: \$25,000,000 Aggregate – Inclusive of Defense Costs (extension of the aggregate limit of liability of the current policy)

Retention:

Each Insured Person Zero

All Insured Persons Zero

Corporate Reimbursement
And Entity Securities Coverage \$500,000 Per Loss

Annual Premium: \$300,000

Terms and Conditions:

- Federal Insurance Company's Claims-Made Directors & Officers Liability Policy Form 14-02-0943 (1/92)



Aon Risk Services

December 3, 2001

- Continuity dates as follows:
 - \$5,000,000 Layer – September 4, 1986
 - \$5,000,000 Excess of \$5,000,000 – September 4, 1991
 - \$5,000,000 Excess of \$10,000,000 – September 4, 1997
 - \$5,000,000 Excess of \$15,000,000 – December 4, 1998
 - \$5,000,000 Excess of \$20,000,000 – August 1, 2000
- One Year Bilateral Discovery Clause, if invoked at 50% of the annual premium
- Entity Securities Coverage – 100%
- Blanket Non-Profit Outside Directorship Extension (excess of insurance and indemnity provided by the outside entity)
- Insured Persons amended to include all employees
- Spousal Liability Coverage
- Foreign Equivalence Endorsement
- Punitive Damages Coverage – including Favorable Venue Wording
- 15% Automatic Acquisition Threshold (excluding Prior Acts)
- Bodily Injury/Property Damage Employment Claims Endorsement
- Investigative Cost Coverage - \$250,000 Sublimit
- 20% Coinsurance
- Deletion of the Pollution Extension Endorsement

Option 2

Limit of Liability:

Option A	\$10,000,000 Aggregate
Option B	\$15,000,000 Aggregate (inclusive of Defense Costs)

Retention:

Each Insured Person	Zero
All Insured Persons	Zero
Corporate Reimbursement	
And Entity Securities Coverage	\$500,000 Per Loss

*Aon Risk Services*

December 3, 2001

Annual Premium:

Option A	\$215,000
Option B	\$250,000

Terms and Conditions:


As shown above except as follows:

- Continue to provide the Split Pollution Endorsement per the form attached (recognizes claims only, not circumstance reportings)

As we discussed, please review these options as well as the wording proposed by Chubb with respect to the Pollution Endorsement under Option 2 shown above. We wish to resume our conversations regarding these options during our telephone conversation on December 7, 2001. Please keep in mind that the options offered to date are based on withdrawing the Circumstance Reporting forwarded to Chubb.

We have contacted the excess insurer to obtain their written agreement to the policy extension. They have already advised us that they are agreeable to extending the policy.

If you have any questions after reviewing the above options, please do not hesitate to call.

Very truly yours, Deneen M. Schmitt
Senior Consultant

DMS:sms:12

cc: Scott A. Isler, Executive Vice President, Aon Pittsburgh
Richard G. Scherder, Senior Vice President, Aon Pittsburgh

Exhibit 7

**CHUBB GROUP OF INSURANCE COMPANIES**

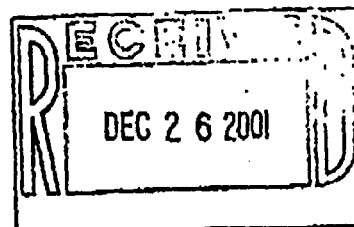
Fifth Avenue Place, 120 Fifth Avenue, Pittsburgh, PA 15222-3008

Phone: (412) 391-6585 • Facsimile: (412) 456-8979

December 21, 2001

Mr. Gary L. Tessitore
Chairman, President and Chief Executive Officer
Number One Tantalum Place
North Chicago, Illinois 60064

Re: Notice of Cancellation



Dear Gary:

Pursuant to Illinois State Insurance Law, enclosed is a Notice of Cancellation effective 2/20/2002. You will receive no additional notices pursuant to this cancellation.

Federal Insurance Company ("Federal") expressly reserves all rights under the prior Policy and the current extension and available under law to deny coverage for any claim and/or rescind the Policy extension as terms, conditions, exclusions, endorsements and provisions of the Policy, including representations, statements, declarations and/or omissions in connection with the application, renewal application, or warranty statement, therefor, are found to be applicable, whether or not based on facts now know or available to Federal.

Regards,

Martha L. Jacobs
Manager, Executive Protection Department

Attachment

NOTICE OF CANCELLATION, NONRENEWAL OR CHANGE IN POLICY PREMIUM/COVERAGE

(Blocks)

ANCE
ANY
AND
SS
RED

Federal Insurance Company
Fifth Avenue Place, 22nd Floor
120 Fifth Avenue
Pittsburgh, PA 15222

Fansteel Inc.
Number One Tantalum Place
Chicago, IL 60064

KIND OF POLICY: Executive Liability & Indemnification	
POLICY NO.: 8155 - 91 - 15	
CANCELLATION, EXPIRATION OR CHANGE WILL TAKE EFFECT AT:	
2/20/2002	12:01 P.M. - 12:00 A.M. STANDARD TIME
DATE OF MAILING: 12/21/2001	
ISSUED THROUGH AGENCY OR OFFICE AT:	
AON Risk Services, Inc.	
CNG Tower, Pittsburgh, PA 15222	

(Applicable item marked [X])

☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that your insurance will cease at and from the hour and date mentioned above.

☐ Reason for cancellation: Nonpayment of premium.

Reason(s) for cancellation (other than for nonpayment of premium):

See the "Important Notices" section below for other information that may apply.

☒ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that your insurance will cease at and from the hour and date mentioned above.

Reason(s) for cancellation (other than for nonpayment of premium): The risk originally accepted has measurably increased due to deteriorated financial condition.

Appeal to the Director of Insurance: If you wish to appeal the reason(s) given, except for the reason of nonpayment of premium, mail or deliver to the Director of Insurance of the State of Illinois, Springfield, Illinois 62767, or State of Illinois Center, Suite 15-100, 100 West Randolph, Chicago, Illinois 60601, at least 20 days prior to the effective date of cancellation, a written request for a hearing, clearly stating the basis for the appeal. Costs of the hearing will be assessed against the losing party, but shall not exceed \$50.

See the "Important Notices" section below for other information that may apply.

If the premium has been paid, premium adjustment will be made as soon as practicable after cancellation becomes effective.

If the premium has not been paid, a bill for the premium earned to the time of cancellation will be forwarded in due course.

☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that the above mentioned policy will expire effective at and from the hour and date mentioned above and the policy will NOT be renewed.

Reason(s) for nonrenewal:

See the "Important Notices" section below for other information that may apply.

☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that the above mentioned policy will expire effective at and from the hour and date mentioned above and the policy will NOT be renewed.

Reason(s) for nonrenewal:

Appeal to the Director of Insurance: If you wish to appeal the reason(s) given, mail or deliver to the Director of Insurance of the State of Illinois, Springfield, Illinois 62767, or State of Illinois Center, Suite 15-100, 100 West Randolph, Chicago, Illinois 60601, at least 20 days prior to the expiration date, a written request for a hearing, clearly stating the basis for the appeal. Costs of the hearing will be assessed against the losing party, but shall not exceed \$50.

See the "Important Notices" section below for other information that may apply.

☐ You are hereby notified in accordance with the terms and conditions of the above mentioned policy, and in accordance with law, that the premium, deductible(s) and/or coverage applying to the above noted policy will be changed as follows, effective on the date indicated above:

Information on Losses (applies essentially to commercial or business insurance—not personal or family protection insurance): Upon your written request, we will provide you with information on losses you have had during the three previous policy years, except where the policy has been cancelled for nonpayment of premium, material misrepresentations or fraud on the part of the insured. Loss information consists of information on closed claims, open claims and any other occurrence not included in the open or closed claims information, including date and description of occurrence, and total amounts of payments and total reserves, if any. We will provide the requested information within 30 days of your request. (Note: If you require this information and are uncertain whether you qualify for the receipt of this information, please contact us for clarification.)

Illinois FAIR Plan Association (applies to policies providing fire, extended coverage and vandalism and malicious mischief insurance): You have been notified herewith that this Company will no longer be carrying your insurance. If you wish to replace your policy you should make an effort to obtain insurance through another company in the normal market. If you have difficulty in procuring replacement coverage in the normal market you possibly may obtain insurance through the Illinois FAIR Plan Association. For further information please contact your agent or broker or the following office of the Association: Suite 2000, 332 S. Michigan Avenue, Chicago, Illinois 60604.

Automobile Insurance Plan Information (applies if the policy being cancelled or nonrenewed provides automobile insurance): You have been notified herewith that this Company will no longer be carrying your automobile insurance. You are possibly eligible for automobile insurance through another insurer or under the Illinois Automobile Insurance Plan.

☐ Appeal to Automobile Insurance Plan Governing Committee: As your policy was one obtained through the Illinois Automobile Insurance Plan, you are hereby advised, regarding the above notification of cancellation, that you have the right of appeal to the Governing Committee of the Plan located at 20 North Wacker Drive Suite 1740B, Chicago, Illinois 60606.

☐ Consumer Report: In compliance with the Fair Credit Reporting Act (Public Law 91-508), you are hereby informed that the action taken above is being taken wholly or partly because of information contained in a consumer report from the following consumer reporting agency:

PLAINEE

ADDRESS

W. H. Jacobs
AUTHORIZED REPRESENTATIVE

INSURED'S COPY

Exhibit 8

From: <Deneen_Schmitt@ars.aon.com>
To: "Howard Epstein" <Howard.Epstein@srz.com>
Date: 1/22/02 10:19AM
Subject: Fansteel [Virus Checked]

----- Forwarded by Deneen Schmitt/PA/ARS/US/AON on 01/22/2002
10:10 AM -----

mjacobs@chubb.com on 01/18/2002 12:10:45 PM

To: Deneen Schmitt/PA/ARS/US/AON@AonNA
cc:

Subject: Fansteel [Virus Checked]

Dear Deneen -

To follow up on our conversation yesterday, I am recinding the Notice of Cancellation that I had previously sent to Gary Tessitore. Please let this serve as formal notification of the rescission of the Notice.

I also am attaching a copy of the last quote that I sent to you regarding the renewal period. Given your indication that Fansteel is interested in reaching an agreement on the renwal period, I would like you to review the terms and conditions listed in the quote letter and indicate which terms Fansteel is agreeable to and what other terms Fansteel would propose.

Sorry for the "informality" of this, but I am out of the office this morning and wanted to get something to you asap.

Please get back to me as soon as you can with their response.

Also, after discussing the situation with others on my end, it is clear that as part of reaching an agreement on the renewal period we will need to address the issues raised by the letter sent by Shulte Roth through some sort of signed agreement between Fansteel and Federal that indicates that those issues have been resolved.

I will check in with you as soon as I am out of my meeting today.

Martha

(See attached file: fansteel.doc)

Exhibit 9

HOGAN & HARRISON L.L.P.

COLUMBIA SQUARE
555 THIRTEENTH STREET, N.W.
WASHINGTON, DC 20004-1109

Tel.: (202) 637-5600
Fax: (202) 637-5910

BERLIN
BRUSSELS
LONDON
PARIS
BUDAPEST
PRAGUE
WARSAW
MOSCOW
TOKYO
NEW YORK, NY (THIRD AVE)
NEW YORK, NY (PARK AVE)
BALTIMORE, MD
MCLEAN, VA
MIAMI, FL
DENVER, CO
BOULDER, CO
COLORADO SPRINGS, CO
LOS ANGELES, CA

IMPORTANT NOTICE
TELECOPY/FACSIMILE COVER LETTER

TO: Howard B. Epstein

DATE: 5/31/2002

FROM: Peter R. Bisio

q

TOTAL NO. OF PAGES, INCLUDING COVER:

The attached information is CONFIDENTIAL and is intended only for the use of the addressee(s) named above. If the reader of this message is not the intended recipient(s) or the employee or agent responsible for delivering the message to the intended recipient(s), please note that any dissemination, distribution or copying of this communication is strictly prohibited. Anyone who receives this communication in error should notify us immediately by telephone and return the original message to us at the above address via the U.S. Mail.

MESSAGE:

FOR INTERNAL PURPOSES ONLY

TELECOPY/FAX NUMBER: 212-593-5955

CLIENT NUMBER: 57212-0243

ATTORNEY BILLING NUMBER: 1582

CONFIRMATION NUMBER:

HOGAN & HARTSON
L.L.P.

May 31, 2002

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
TEL (202) 637-5600
FAX (202) 637-5910
WWW.HHLAW.COM

BY TELECOPY AND FIRST CLASS MAIL

Howard B. Epstein
Schulte Roth & Zabel
919 Third Avenue
New York, NY 10022

Re: Insured: Fansteel, Inc.
Policy No.: 8155-91915 (the "Policy")

Dear Mr. Epstein:

In a May 2, 2002 letter to Gary Tessitore, Martha Jacobs confirmed the agreement reached by Fansteel and Federal with respect to the above-referenced policy. I understand from a May 13, 2002 email that you sent Deneen Schmitt and that she then forwarded to Federal, that you consider the May 2 letter to be "deficient" because it does not expressly address Fansteel's November 19, 2001 Notice of Circumstances. I am writing to respond to this issue.

As you know, Federal accepted Fansteel's Notice of Circumstances in my January 25, 2002 letter to you. That letter expressly stated that Federal's acceptance would be deemed to extend to CLAIMS otherwise excluded by the pollution exclusion "to the extent Federal and Fansteel resolved their dispute concerning the pollution exclusion in a manner that would make the Notice relevant" to such CLAIMS. Thus, to the extent Federal and Fansteel have now agreed that the Policy shall be deemed to have included Pollution Endorsement 14-02-1106 Ed. 4/92 - which provides for coverage of certain CLAIMS relating to POLLUTANTS that arise from facts identified in a notice of circumstances - Federal's acceptance of Fansteel's Notice automatically applies to CLAIMS that otherwise would have been excluded by Endorsement No. 17 (and previously issued Endorsement Nos. 7 and 6). Consequently, there was no need for Ms. Jacobs to address this issue in her May 2, 2002 letter.

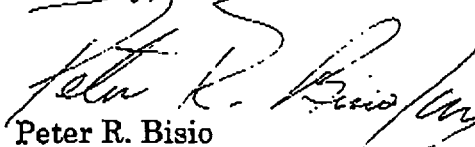
HOGAN & HARTSON LLP

Howard B. Epstein
May 31, 2002
Page 2

To the extent Fansteel desires further confirmation that Federal's acceptance of Fansteel's Notice of Circumstances extends to CLAIMS relating to POLLUTANTS, however, please accept this letter as confirmation that Federal accepts the Notice with regard to all CLAIMS that arise from the events described in the Notice of Circumstances, including but not limited to the operation of, submission of a decommissioning plan for, or the decommissioning of the Muskogee Facility; the construction or operation of a commercial processing plant to process metal residues contained in the Muskogee Facility's on-site storage ponds; any demolitions at Fansteel's Muskogee Facility; the costs or financial impact for Fansteel of any of the above actions; and the statements in Fansteel's 10Q for the third quarter of 2001. Subject to Fansteel's acceptance of the agreement confirmed in the May 2, 2002 letter, Federal's acceptance of Fansteel's Notice of Circumstances is without reservation as to the enforceability of Endorsement No. 17 (and previously issued Endorsement Nos. 7 and 6), which Federal and Fansteel are now agreeing shall not be deemed to have been part of the Policy.

Federal's acceptance of the Notice of Circumstances is subject to all of the Policy's terms and conditions. In addition, Federal reserves all rights available under the Policy, the endorsements thereto, and applicable law to deny coverage and/or to rescind the Policy as terms, conditions, exclusions, endorsements and provisions of the Policy, including representations, statements, declarations and/or omissions in connection with the application therefor, are found to be applicable, whether or not based upon facts now known or available to Federal.

Sincerely,


Peter R. Bisio

cc: Brian Gauen
Alison Martin, Esq.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Case No. 02-10109(JJF)
)	
FANSTEEL INC., <i>et al.</i> , ⁵)	Chapter 11
)	(Jointly Administered)
Debtors.)	

**ORDER AUTHORIZING THE DEBTORS' TO ASSUME EXECUTIVE
PROTECTION POLICIES AND APPROVING SETTLEMENT
AGREEMENT BETWEEN CHUBB AND THE DEBTORS⁶**

Upon consideration of the Debtors Motion For Order Authorizing The Debtors'

To Assume Certain Executive Protection Policies and Approving the Settlement Between Chubb and the Debtors (the "Motion"), and the Court having considered the submissions and arguments of counsel, and the opposition thereto, if any; and it appearing that the decision to assume the Policy and allow the Settlement is supported by Debtors' reasonable business judgment and falls within the range of reasonableness; and it appearing that the Court has jurisdiction over the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and the Court having determined that granting the relief requested in the Motion is in the best interest of the Debtors, their estates, their creditors and other parties in interest; and it appearing that notice of the Motion has been given

⁵ The Debtors are the following entities: Fansteel Inc., Fansteel Holdings, Inc., Custom Technologies Corp., Escast, Inc., Wellman Dynamics Corp., Washington Mfg. Co., Phoenix Aerospace Corp., American Sintered Technologies, Inc., and Fansteel Schulz Products, Inc.

⁶ Capitalized terms not defined herein shall have the meanings ascribed thereto in the Motion.

as set forth in the Motion, and that no other or further notice need be given; and for sufficient cause shown,

IT IS HEREBY ORDERED THAT:

1. The Debtors assume the Policy pursuant to Bankruptcy Code § 365(a) as of the date of entry of this order; and

2. That the Settlement as embodied by the Settlement Letter and the Confirmation Letter approved; and

3. The Debtors shall pay Chubb all cure amounts that are required to be paid pursuant to Bankruptcy Code § 365(b)(1) and amounts projected to be owing in accordance with that certain Settlement Letter dated as of May 2, 2002 which is attached as Exhibit 3 to the Motion, in all cases subject to the payment terms and conditions set forth in the Policy; and

4. All future payments from the Debtors to Chubb shall be made in accordance with the terms and conditions set forth in the Policy as supplemented by the Settlement Letter and the Confirmation Letter.

[Remainder of Page Left Blank]

5. That this Court retains jurisdiction with respect to all matters arising from or related to the implementation of this order.

Dated: _____, 2002
Wilmington, Delaware

The Honorable Joseph J. Farnan, Jr.
United States District Court Judge

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Case No. 02-10109(JJF)
)	
FANSTEEL INC., <i>et al.</i> , ⁵)	Chapter 11
)	(Jointly Administered)
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1. The Debtors assume the Policy pursuant to Bankruptcy Code § 365(a) as of the date of entry of this order; and
2. That the Settlement as embodied by the Settlement Letter and the Confirmation Letter approved; and
3. The Debtors shall pay Chubb all cure amounts that are required to be paid pursuant to Bankruptcy Code § 365(b)(1) and amounts projected to be owing in accordance with that certain Settlement Letter dated as of May 2, 2002 which is attached as Exhibit 3 to the Motion, in all cases subject to the payment terms and conditions set forth in the Policy; and
4. All future payments from the Debtors to Chubb shall be made in accordance with the terms and conditions set forth in the Policy as supplemented by the Settlement Letter and the Confirmation Letter.
5. That this Court retains jurisdiction with respect to all matters arising from or related to the implementation of this order.

Dated: _____, 2002
Wilmington, Delaware

The Honorable Joseph J. Farnan, Jr.
United States District Court Judge